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**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**Required Supplemental Information,**

**Basic Financial Statements and**

**Supplemental Information**

**For the Year Ended December 31, 2019**

**And**

**Independent Auditors' Reports**

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****TABLE OF CONTENTS**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pikes Peak Area Council of Governments

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pikes Peak Area Council of Governments (PPACG) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise PPACG's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PPACG as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Other Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PPACG's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_ on our consideration of PPACG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PPACG's internal control over financial reporting and compliance.

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**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**Management's Discussion and Analysis**

## PIKES PEAK AREA COUNCIL OF GOVERNMENTS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### Introduction

This management's discussion and analysis of the financial performance of the Pikes Peak Area Council of Governments (PPACG) provides an overview of PPACG's financial activities for the year ended December 31, 2019. It should be read in conjunction with the accompanying financial statements of PPACG.

#### Financial Highlights

- Total assets increased in 2019, compared to 2018, by \$259,518, or 8.4%.
- PPACG's Net position increased in 2019 by \$146,254, or 6.1% compared to 2018.
- Unassigned Fund Balance increased by \$181,980, or 9.2% to \$2,169,594.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PPACG's basic financial statements. PPACG's basic financial statements included in this annual report are those of a general-purpose government and include the following financial statements:

#### Government-wide Financial Statements

- The *Statement of Net Position* and the *Statement of Activities* report information on all of the activities of PPACG and the effect of changes to them. PPACG's total net position—the difference between assets and liabilities—is one measure of PPACG's financial health or financial position. Over time, increases or decreases in PPACG's net position are an indicator of whether its financial health is improving or deteriorating.

#### Fund Financial Statements

- The *Balance Sheet – Governmental Fund* and its accompanying *Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position* compare fund assets to fund liabilities with the difference between them being the fund balance and explains the disparity in the amounts reported for governmental activities.
- The *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund* and its accompanying *Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities* report PPACG's revenues, by major source, along with expenditures and changes to the fund balance and explains the disparity in the amounts reported for governmental activities.
- The *Statement of Revenues and Expenditures – Budget to Actual – General Fund* compares actual funds received and spent with the budgeted amounts and details the variances.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

- The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

**PPACG's Statement of Net Position**

PPACG's net position is the difference between its assets and liabilities reported in the Statement of Net Position. PPACG's net position increased by \$146,254 (6.1%) in 2019 over 2018, as shown in Table 1.

**Summary Statement of Net Position as of December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash/restricted cash	\$ 1,547,751	\$ 1,205,179
Other current assets	1,287,077	1,348,419
Capital assets, net	<u>514,678</u>	<u>536,390</u>
Total assets	<u>\$ 3,349,506</u>	<u>\$ 3,089,988</u>
<b>Liabilities</b>		
Other current and noncurrent liabilities	\$ 665,234	\$ 544,349
Compensated absences	<u>147,040</u>	<u>154,661</u>
Total liabilities	<u>812,274</u>	<u>699,010</u>
<b>Net Position</b>		
Net investment in capital assets	514,678	536,390
Unrestricted	<u>2,022,554</u>	<u>1,854,588</u>
Total net position	<u>\$ 2,537,232</u>	<u>\$ 2,390,978</u>

**PPACG's Statement of Activities**

In 2019, PPACG's net positions increased by \$146,254 or 6.1%. In 2018, PPACG's net position increased by \$158,336 or 7.1%. These changes, shown in Table 2, are primarily made up of fluctuations in PPACG's AAA pass through allocation as well as expenditures in Transportation and AAA departments.

**Summary Statement of Activities for the Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Program Revenues</b>		
Operating grants and contributions	\$ 6,894,654	\$ 5,598,522
Charges for services	<u>531,337</u>	<u>532,906</u>
Total program revenues	7,425,991	6,131,428
<b>General Revenues</b>		
Member dues	458,000	458,000
Interest income	<u>8,826</u>	<u>6,414</u>
Total revenues	<u>7,892,817</u>	<u>6,595,842</u>

**Governmental Activities – Expenses**

Aging program	\$ 5,856,872	\$ 4,716,897
Transportation program and environmental	1,224,550	811,236
Joint land use study	184,328	440,676
Pikes Peak RTA Administration	413,603	392,586
Administration	<u>67,210</u>	<u>76,111</u>
Total governmental activities - expenses	<u>7,746,563</u>	<u>6,437,506</u>
Change in Net Position	146,254	158,336
Net Position, Beginning of Year	<u>2,390,978</u>	<u>2,232,642</u>
Net Position, End of Year	<u>\$ 2,537,232</u>	<u>\$ 2,390,978</u>

The majority of PPACG's revenues and expenses are a result of governmental grants, and are reimbursement-based, as is Pikes Peak RTA Administrative contract. During 2019 compared to 2018 grant revenue increased by \$1,296,132. The net increase is due to an increase of \$316,139 in Transportation and Environmental program as well as a net revenue increase of \$1,210,981 in Area Agency Aging department which operates internal programs as well as pass through programs. In 2019 pass-through expenditures increased by \$1,015,780 or 35.6% while internal programs increased by \$195,201 or 12%. Pass-through revenue and expenditures are received from the Colorado Department of Human Services and distributed by PPACG AAA program. Joint Land Use Study had a decrease in grant revenue of \$230,987. Contract expenditure decreased by \$75,036 or 11% while Personnel increased by \$368,134 or 14% due to more personnel to manage programs and less outside work done by subcontractors.

*The Statement of Revenue and Expenditures – Budget to Actual – General Fund* details the budgeted amounts of 2019's revenues and expenditures as compared to the actual amounts. PPACG received \$1,046,682 less in Federal and State grants while Pass through Federal and State grant revenues were \$524,852 more than budgeted. Project Income was \$5,632 more than the budgeted amount. PPACG received \$7,777 less in Special District Revenue which is from Pikes Peak RTA Administration Expenses. Overall, PPACG received \$520,099 less than budgeted revenues. Actual costs for "personnel" were \$364,463 less than were budgeted and contract services were also less than budgeted \$690,725. This was primarily due to less staff than budgeted and less outside contractors. Pass through expenditures were \$524,852 more than budget and corresponds to Federal and State Grant Pass Through revenue being more than the budget. Conferences, education, training and travel were under budget \$45,378 as fewer staff went to training than had been planned. Support Services were under budget \$20,204 this consists of postage, public notices and liability insurance. Communications, memberships, publications, building maintenance and utilities were all less than budget.

**Capital Asset and Debt Administration****Capital Assets**

At the end of 2019, PPACG had \$514,678 net investment in capital assets, as detailed in Note 4 to the financial statements. PPACG's net assets invested in capital assets decreased \$21,712 over 2018 due to depreciation expense.

**Debt**

At December 31, 2019, PPACG did not have any notes payable or capital lease obligations outstanding.

**Contacting PPACG's Financial Management**

This financial report is designed to provide a general overview of PPACG's finances and to show PPACG's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the PPACG Financial Manager by telephoning 719.471.7080, extension 146.

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**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**Basic Financial Statements**

**As of and For the Year Ended December 31, 2019**

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****STATEMENT OF NET POSITION GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019**

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**ASSETS**

Cash and cash equivalents	\$ 1,435,716
Restricted cash	112,035
Grants and accounts receivable	1,274,244
Prepaid expenses	12,833
Capital assets:	
Non-depreciable	26,794
Depreciable, net	<u>487,884</u>
TOTAL ASSETS	<u>3,349,506</u>

**LIABILITIES**

Accounts payable	433,100
Accrued liabilities	118,074
Unearned revenue	114,060
Compensated absences payable	<u>147,040</u>
TOTAL LIABILITIES	<u>812,274</u>

**NET POSITION**

Net investment in capital assets	514,678
Unrestricted	<u>2,022,554</u>
TOTAL NET POSITION	<u>\$ 2,537,232</u>

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See notes to financial statements.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Direct Expenses	Indirect Expenses	Program Revenue		Net Program Expense
			Charges for Services	Operating Grants and Contributions	
<b>FUNCTIONS / PROGRAMS</b>					
Governmental activities:					
Aging program	\$ 5,320,394	\$ 536,478	\$ 117,734	\$ 5,693,898	\$ (45,240)
Transportation and environmental programs	969,299	255,251		1,030,680	(193,870)
Joint land use study	138,477	45,851		170,076	(14,252)
Pikes Peak RTA administration	308,548	105,055	413,603		
Administration	67,210				(67,210)
TOTAL	<u>\$ 6,803,928</u>	<u>\$ 942,635</u>	<u>\$ 531,337</u>	<u>\$ 6,894,654</u>	<u>\$ (320,572)</u>
<b>GENERAL REVENUES</b>					
Member dues					458,000
Investment income					8,826
Total general revenues					<u>466,826</u>
CHANGE IN NET POSITION					146,254
NET POSITION, Beginning of year					<u>2,390,978</u>
NET POSITION, End of year					<u>\$ 2,537,232</u>

See notes to financial statements.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****BALANCE SHEET – GOVERNMENTAL FUND  
DECEMBER 31, 2019**

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	<b>General Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,435,716
Restricted cash	112,035
Grants and accounts receivable	1,274,244
Prepaid expenses	<u>12,833</u>
TOTAL ASSETS	<u>\$ 2,834,828</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 433,100
Accrued liabilities	118,074
Unearned revenue	<u>114,060</u>
TOTAL LIABILITIES	<u>665,234</u>
<b>FUND BALANCE</b>	
Unassigned	<u>2,169,594</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,834,828</u>

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See notes to financial statements.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

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TOTAL GOVERNMENTAL FUND BALANCE \$ 2,169,594

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 514,678

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position

Compensated absences (147,040)

NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION \$ 2,537,232

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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	<b>General Fund</b>
<b>REVENUES</b>	
Federal and state grants - pass through	\$ 3,868,052
Federal and state grants	3,008,166
Member dues	458,000
Pikes Peak RTA administration	413,603
Project income and local support	117,734
Other grants	40,071
Investment income	8,826
Total revenues	<u>7,914,452</u>
<b>EXPENDITURES</b>	
Aging program	5,844,605
Transportation and environmental programs	1,221,312
Pikes Peak RTA administration	404,824
Joint land use program	178,732
Administration	71,799
Capital outlay	11,200
Total expenditures	<u>7,732,472</u>
NET CHANGE IN FUND BALANCE	181,980
FUND BALANCE, Beginning	<u>1,987,614</u>
FUND BALANCE, Ending	<u>\$ 2,169,594</u>

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See notes to financial statements.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN GOVERNMENTAL FUND BALANCES \$ 181,980

Revenues in the fund statements that provide current financial resources that were recognized in the statement of activities in the prior year. This amount is the difference in the treatment of revenue recognition. (21,635)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$32,912) exceeded capital outlays (\$11,200) in the current period. (21,712)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences. 7,621

CHANGE IN NET POSITION OF GOVERNMENT ACTIVITIES \$ 146,254

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See notes to financial statements.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pikes Peak Area Council of Governments (PPACG) is a regional planning council and was formed in 1967 under the Colorado laws regarding regional planning (CRS 30-28-105) and intergovernmental contracting (CRS 29-1-203). PPACG provides transportation, environmental and military planning to the Pikes Peak region. In addition, PPACG is the area agency for aging programs in the Pikes Peak region. Membership to PPACG is open to all general purpose local governments in the Pikes Peak Region and membership is primarily made up of municipalities and counties in the Pikes Peak region and is governed by elected officials of the member governments.

The financial statements of PPACG have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The more significant accounting policies established in GAAP and used by PPACG are discussed below.

**Reporting Entity** — PPACG is a regional planning council governed by elected officials of the member governments. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

PPACG has no component units for which either discrete or blended presentation is required.

**Government-Wide and Fund Financial Statements** — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The accounts of PPACG are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

PPACG reports the following major governmental fund:

The *General Fund* is the general operating fund of PPACG. It is used to account for all financial resources except those required to be accounted for in another fund.

**Measurement Focus and Basis of Accounting** — The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**Cash and Cash Equivalents** — Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables** — All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Management believes all receivables are fully collectible at December 31, 2019 and therefore no allowance has been recorded.

**Capital Assets** — Capital assets, which include land, buildings, and equipment are reported in the government-wide financial statements. All purchased assets are recorded at cost. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets; as applicable.

Land and construction in progress are not depreciated. The other capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

	<b>Estimated Useful Life</b>
Buildings and improvements	20-40 years
Furniture and equipment	5-10 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

**Unearned Revenue** — Unearned revenue includes grants that have been collected but the corresponding expenditures have not been incurred.

**Compensated Absences** — It is PPACG's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and eligible sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

**Long-Term Liabilities** — In the government-wide financial statements long-term obligations are reported as liabilities in the statement of net position.

**Fund Balance Classification** — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which PPACG is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

- **Non-spendable** — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted** — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts

cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Assigned** — This classification includes amounts that are constrained by PPACG's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.
- **Unassigned** — This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

**Net Position** — The classifications available to be used in the governmental-wide financial statements are as follows:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Program Revenues** — Amounts reported as program revenues include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** — PPACG has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budget Information** — PPACG follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In September, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain public comments.
- 3) In October, the Board of Directors approves the budget for submission to member governments for ratification of the budget and dues assessment.
- 4) Prior to December 31, the Board of Directors approves and signs a resolution officially adopting the budget.
- 5) Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- 6) A budget for the General Fund is legally adopted on a basis consistent with generally accepted accounting principles (GAAP), except that the PPACG budgets for depreciation expense and does not budget for capital outlay.
- 7) All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

## 3. DEPOSITS AND INVESTMENTS

**Deposits** — Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of deemed eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

At December 31, 2019, carrying amount of PPACG deposits were \$1,547,751 and the bank balances were \$1,636,722 of which \$1,386,722 were collateralized in accordance with PDPA.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Buildings	\$ 15,594	\$ —	\$ —	\$ 15,594
Land	<u>                    </u>	<u>11,200</u>	<u>                    </u>	<u>11,200</u>
Total capital assets not being depreciated	15,594	11,200		26,794
Capital assets being depreciated:				
Buildings	842,171			842,171
Land improvements	5,224			5,224
Equipment	120,137			120,137
Furniture	<u>61,426</u>	<u>                    </u>	<u>                    </u>	<u>61,426</u>
Total capital assets being depreciated	1,028,958			1,028,958
Less accumulated depreciation	<u>508,162</u>	<u>32,912</u>	<u>                    </u>	<u>541,074</u>
Depreciable capital assets, net	<u>520,796</u>	<u>(32,912)</u>	<u>                    </u>	<u>487,884</u>
Total capital assets, net	<u>\$ 536,390</u>	<u>\$ (21,712)</u>	<u>\$                      </u>	<u>\$ 514,678</u>

Depreciation expense charged to functions of the primary government is as follows:

Aging Program	\$ 15,958
Transportation and Environmental Programs	10,655
Pikes Peak RTA Administration	4,385
Joint Land Use	<u>1,914</u>
Total depreciation expense	<u>\$ 32,912</u>

**5. PENSION PLAN**

The PPACG contributes to a single employer defined contribution money purchase plan, 401(a), on behalf of its employees. The contribution requirements of Plan participants and the PPACG are established and may be amended by the PPACG Board of Directors. The PPACG is required to contribute 4.5% of each participant's first \$6,000 of compensation and 9% thereafter. Employees are required to contribute 1.5% of their first \$6,000 of compensation and 3% thereafter.

Employee contributions and any earnings are 100% vested. Employer contributions and any earnings they generate are vested as follows:

Years of Service	Vested Percentage of Employer Contributions
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

For the year ended December 31, 2019, employee contributions totaled \$59,256 and PPACG recognized pension expense of \$170,451. There were forfeitures of \$7,748 reflected in PPACG's recognized pension expense.

## 6. RISK MANAGEMENT

The PPACG is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The PPACG carries commercial insurance for these risks of loss, including worker's compensation, employee health and accident insurance, and directors' and officers' liability.

***DRAFT***

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**Supplemental Information**

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**GENERAL FUND —  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Federal and state grants	\$ 4,073,284	\$ 4,073,284	\$ 3,026,602	\$ (1,046,682)
Federal and state grants - pass-through	3,343,200	3,343,200	3,868,052	524,852
Special District Revenues	421,380	421,380	413,603	(7,777)
Member dues	458,000	458,000	458,000	
Project income	112,102	112,102	117,734	5,632
Interest income	4,950	4,950	8,826	3,876
Total revenues	<u>8,412,916</u>	<u>8,412,916</u>	<u>7,892,817</u>	<u>(520,099)</u>
<b>EXPENDITURES</b>				
Personnel	3,346,244	3,346,244	2,981,781	364,463
Contract services	1,253,903	1,253,903	563,178	690,725
Reproduction services	46,620	59,120	43,392	15,728
Federal and state grants - pass-through	3,343,200	3,343,200	3,868,052	(524,852)
Conferences, education, training and travel	92,815	92,815	47,437	45,378
Office supplies	21,657	23,407	18,384	5,023
Communications	16,716	16,716	15,005	1,711
Support services	40,515	42,015	21,811	20,204
Memberships	31,446	34,446	18,225	16,221
Reference publications	1,583	1,583	860	723
Equipment maintenance and rental	40,332	40,332	27,326	13,006
Building maintenance	56,500	57,500	54,641	2,859
Utilities	23,172	23,172	20,641	2,531
Depreciation	30,000	33,161	32,911	250
Equipment	30,222	33,272	27,919	5,353
Other expenses	37,991	12,030	5,000	7,030
Total expenditures	<u>8,412,916</u>	<u>8,412,916</u>	<u>7,746,563</u>	<u>666,353</u>
Revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 146,254</u>	<u>\$ 146,254</u>

(Continued)

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**GENERAL FUND —  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE — BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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Adjustments to arrive at fund balance:	
Available revenues	21,635
Compensated absences	(7,621)
Depreciation	32,912
Capital Outlay	<u>(11,200)</u>
Net changes in fund balance	181,980
FUND BALANCE, Beginning of year	<u>1,987,614</u>
FUND BALANCE, End of year	<u><u>\$ 2,169,594</u></u>

(Concluded)

See the accompanying independent auditors' report.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Federal Agency/Pass-Through Entity and Cluster or Program</u>	<u>Pass-Through Identification Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>United States Department of Health and Human Services</b>			
Passed-through Colorado Department of Human Services:			
Aging Cluster - Special Programs for the Aging - Title III:			
Part B - Grants for the Supportive Services and Senior Centers		93.044	\$ 868,670
Part C - Nutrition Services		93.045	1,184,435
Nutrition Services Incentive Program		93.053	<u>110,824</u>
Total Aging Cluster			2,163,929
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services			
		93.043	23,923
National Family Caregiver Support, Title III, Part E			
		93.052	263,150
Special Programs for the Aging - Title VII:			
Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation			
		93.041	5,145
Chapter 2 – Long Term Care Ombudsman Services for Older Individuals			
		93.042	24,850
Passed-through Colorado Department of Regulatory Agencies, Division of Insurance:			
Centers for Medicare and Medicaid Services (CMS) Research and Demonstrations and Evaluations			
		93.779	87,285
Special Programs for the Aging - Title IV and Title II Discretionary Projects			
		93.048	<u>7,300</u>
Total United States Department of Health and Human Services			2,575,582
<b>United States Department of Transportation</b>			
Passed-through Colorado Department of Transportation:			
Highway Planning and Construction Grant	49100112	20.205	1,018,636
<b>United States Department of Defense</b>			
Passed-through the Office of Economic Adjustment:			
Community Economic Adjustment Assistance for Compatible Use and Joint Land Studies			
	EN1535-15-01	12.610	170,076
<b>United States Environmental Protection Agency</b>			
Passed-through Colorado Department of Public Health And Environment:			
Water Quality Management		66.454	<u>12,044</u>
Total expenditures of federal awards			<u>\$ 3,776,338</u>

See the accompanying independent auditors' report.

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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1. The schedule includes the Federal awards activity of Pikes Peak Area Council of Governments and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Pikes Peak Area Council of Governments has elected to not use the 10 percent de minimus indirect cost rate to charge costs to their federal awards.
3. Pikes Peak Area Council of Governments provided federal awards to subrecipients as follows:

<u>Federal Agency/Pass-Through Entity and Cluster or Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Special Programs for the Aging Title III: Part D – Disease Preventions and Health Promotions Services	93.043	\$ 23,923
Special Programs for the Aging Title III: Part B – Grants for the Supportive Services and Senior Centers	93.044	545,628
Special Programs for the Aging Title III: Part C – Nutrition Services	93.045	1,184,435
National Family Caregiver Support Title III, Part E	93.052	90,026
Nutrition Services Incentive Program	93.053	<u>110,824</u>
		<u>\$ 1,954,836</u>

See the accompanying independent auditors' report.

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***DRAFT***

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**Compliance And Internal Control Section**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Pikes Peak Area Council of Governments  
Colorado Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Pikes Peak Area Council of Governments (PPACG), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise PPACG's basic financial statements, and have issued our report thereon dated \_\_\_\_\_.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PPACG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PPACG's internal control. Accordingly, we do not express an opinion on the effectiveness of PPACG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PPACG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Pikes Peak Area Council of Governments  
Colorado Springs, Colorado

### **Report on Compliance for Each Major Federal Program**

We have audited Pikes Peak Area Council of Governments' (PPACG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PPACG's major federal programs for the year ended December 31, 2019. PPACG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of PPACG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PPACG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of PPACG's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, PPACG, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

## Report on Internal Control Over Compliance

Management of PPACG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PPACG's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PPACG's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

1. Type of auditors' report issued was:

- Unmodified       Modified       Adverse       Disclaimed

2. Internal control over financial reporting:

- (A) Material weakness(es) identified?       Yes       No  
(B) Significant deficiency(ies) identified?       Yes       None reported

3. Noncompliance material to financial statements noted?       Yes       No

**FEDERAL AWARDS**

1. Internal control over major programs:

- (A) Material weakness(es) identified?       Yes       No  
(B) Significant deficiency(ies) identified?       Yes       None reported

2. Type of auditors' report issued on compliance for major programs:

- Unmodified       Modified       Adverse       Disclaimed

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?       Yes       No

4. The Organization's major programs were:

<b>CFDA Number</b>	<b>Cluster/Program</b>
93.052	National Family Caregiver Support, Title III – Part E
20.205	Highway Planning and Construction

5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

6. The Organization qualified as a low-risk auditee?       Yes       No

(Continued)

**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reportable.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reportable

(Concluded)

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**PIKES PEAK AREA COUNCIL OF GOVERNMENTS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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No matters were reported.