



*NORTH FRONT RANGE TRANSPORTATION
& AIR QUALITY PLANNING COUNCIL*

**FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT**

For Year Ended
December 31, 2013

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

Listing of Council Members

As of April 14, 2014

Representative	Member Entity Represented
Jan Dowker - Chair	Town of Berthoud
Sean Conway – Vice Chair	Weld County
Tom Donnelly – Past Chair	Larimer County
Kevin Ross	Town of Eaton
John Morris	City of Evans
Gerry Horak	City of Fort Collins
Brian Seifried	Town of Garden City
Tom Norton	City of Greeley
Troy Mellon	Town of Johnstown
Paula Cochran	Town of LaSalle
Joan Shaffer	City of Loveland
Jordan Jemiola	Town of Milliken
Don Brookshire	Town of Severance
Jill Grossman-Belisle	Town of Timnath
John Vasquez	Town of Windsor
Garry Kaufman	Air Quality Control Commission
Kathy Gilliland	Transportation Commission

Listing of Staff Members

As of April 14, 2014

Name	Position
Terri Blackmore	Executive Director
Anne Blair	VanGo™ Vanpool Manager
Catharine Fallin	Administrative Assistant
Mary Finn-Warring	Mobility Coordinator
Crystal Hedberg	Finance Manager
Merry Anne Hood	Financial and Administrative Specialist
Arvilla Kirchhoff	Regional Transportation Planner (GIS)
Suzette Mallette	Regional Transportation Planning Director
Jeff McVay	Customer & Business Relations Representative
Liz Meyer	Staff Accountant
Mary Mumma	Mobility coordination Assistant
Jessica Cole	Project Data Specialist
Rena Steffen	Administrative Director
Nate Vander Broek	Regional Transportation Planner

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

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Independent Auditor's Report

Planning Council
North Front Range Transportation & Air Quality Planning Council
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Front Range Transportation & Air Quality Planning Council (the "Council"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

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.

Auditor's 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 of 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 the 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 the major fund of the Council as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 supplementary 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 1, 2014 on our consideration of the North Front Range Transportation & Air Quality Planning Council'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 the Council's internal control over financial reporting and compliance.

Anton Collins Mitchell LLP

Greeley, Colorado
May 1, 2014

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The North Front Range Transportation & Air Quality Planning Council (the Council or MPO) offers the readers of the Council's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2013. The management's discussion and analysis is intended to be read in conjunction with the Council's financial statements beginning on page 10.

Financial Highlights

Our primary sources of transportation planning and program operating revenues were as follows for calendar year 2013:

• Consolidated Planning Grant (CPG)	\$ 573,183
• Surface Transportation Program (STP Metro)	216,886
• State Planning Funds	33,837
• Section 5310 Federal Funding	72,796
• Section 5316 Federal Funding	136,149
• Section 5317 Federal Funding	7,701
• Section 5307 Federal Funding	12,553
• EPA Funding	1,794
• Local Match - Member Entities	186,736
• VanGo™ Operating Fares	808,473
• RTD Program Revenue & Match	525,375

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise two components: 1) government-wide financial statements and fund financial statements, and 2) notes to the financial statements.

Combined Government-Wide and Fund Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The statement of net position presents information on all of the Council's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these categories reported as net position. Ordinarily, over time, increases and decreases in net position would provide an indication of whether the Council's financial position is improving or deteriorating. Since the Council primarily operates on a cost reimbursement basis, meaning revenues should equal expenditures at year end for all federal funding contract activities, any increases or decreases in net position is primarily comprised of the total value in our capital assets and non-federal programs, as opposed to being reflective of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information reflecting how the Council's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The government-wide financial statements are combined with the fund financial statements and can be found beginning on page 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the Council is a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements are combined with the government-wide financial statements and can be found beginning on page 10 of this report.

Notes to the Financial Statements

The notes to the financial statements are considered an integral part of the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Government-Wide Financial Analysis

Council implemented the new financial reporting model required by GASB 34 in 2003.

Assets exceed liabilities by \$1,387,054 at the close of the year. Of this figure, \$314,633 represents our net investment in capital assets. The Council uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

The following is a condensed comparative summary of the Council's net position at December 31:

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,273,306	\$ 1,174,412
Grant Receivables for Long-Term Liabilities	34,522	35,751
Capital Assets, Net	<u>325,331</u>	<u>538,310</u>
Total Assets	<u>1,633,159</u>	<u>1,748,473</u>
Current and Other Liabilities	200,885	220,218
Long-term Liabilities	<u>45,220</u>	<u>53,590</u>
Total Liabilities	<u>246,105</u>	<u>273,808</u>
Net Position		
Net Investment in Capital Assets	314,633	520,471
Unrestricted	<u>1,072,421</u>	<u>954,194</u>
Total Net Position	<u>\$ 1,387,054</u>	<u>\$ 1,474,665</u>

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Governmental Activities

During 2013, the Council's net position decreased by \$87,611. The following is a condensed summary of the Council's statement of activities.

	<u>2013</u>	<u>2012</u>
Revenues:		
Grant Revenue - Federal	\$1,053,882	\$1,061,458
Grant Revenue - Local Match	189,663	207,733
VanGo™ Vanpool Fares	808,473	844,410
Program Revenues	525,375	441,806
Earnings on Investments	744	1,524
Miscellaneous Revenues	739	634
Gain on Sale of Capital Assets	32,310	-
Total Revenues	<u>2,611,186</u>	<u>2,557,565</u>
Expenditures:		
Payroll Expense	1,068,531	1,000,058
Fleet Expense	987,726	1,088,042
Office Expense	204,121	217,817
Consultant & Professional Services	360,111	291,760
Other Program Expense	60,640	40,131
Travel/Conference/Training	10,302	8,465
Interest Expense	7,366	15,580
Total Expenditures	<u>2,698,797</u>	<u>2,661,853</u>
Decrease in Net Position	(87,611)	(104,288)
Net Position - Beginning of Year	<u>1,474,665</u>	<u>1,578,953</u>
Net Position - End of Year	<u><u>\$1,387,054</u></u>	<u><u>\$1,474,665</u></u>

General Fund Budgetary Highlights

The Council's budget presented in the financial statements is for its calendar year (January through December 2013). (January through September is from the 2013 United Planning Work Program (UPWP) budget and October through December is from the 2014 UPWP budget) It should be noted that a federal fiscal year budget (October thru September) is federally required for its UPWP and that the Council cannot expend more than is budgeted in the UPWP, without amendments to the UPWP and related funding contracts.

Budgetary highlights for 2013 included the disposition of five vans. The Section 5316 and Section 5317 pass-through funds were booked to consultant expenditures in both 2012 and 2013. Consultant expenditures associated with these programs in 2013 were \$142,456 resulting in final distribution of a Section 5316 grant. During 2013, the VanGo™ vanpool program added ten new routes and cancelled seven routes resulting in an increase of 3 routes. The program maintained a 92% occupancy rate for

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

the routes. When compared with the prior year, operating revenue decreased by 4% during 2013. This decrease is due to the fact that routes were cancelled early in the year and not replaced until after the middle of the year.

Capital Asset and Debt Administration

Capital Assets

The Council's investment in capital assets at December 31, 2013 amounts to \$325,331 (net of accumulated depreciation). This investment in capital assets includes motor vehicles (owned and leased) and office equipment.

The capital assets purchased or obtained by capital lease during the year were as follows:

• Purchased (1) Vans for VanGo™ vanpooling program	\$ 27,938
• Buy out of operating leases (4) Vans for the VanGo™ program	47,232
• Buy out of operating lease (1) Van for the MPO office	10,270
• Server	<u>24,413</u>
	<u><u>\$109,853</u></u>

Capital assets are classified as follows (net of depreciation)

	<u>2013</u>	<u>2012</u>
Motor Vehicles	\$ 295,374	\$ 492,066
Motor Vehicles under Lease	2,350	7,678
Office Equipment & Software	20,542	28,674
Office Equipment under Lease	<u>7,065</u>	<u>9,892</u>
	<u><u>\$ 325,331</u></u>	<u><u>\$ 538,310</u></u>

Additional information on the Council's capital assets can be found in Note 1 on pages 15-17 and Notes 7 & 8 on pages 20-21 of this report.

Long-term Debt

At December 31, 2013, the Council had \$45,220 of long term debt outstanding. The long-term liabilities of the Council represent accrued accumulated leave of \$34,522, and capital lease liabilities of \$10,698.

Economic Factors and Next Year's Tasks (Budget)

Over the past few years, funding for transportation in Colorado has decreased. Coupled with steady growth in population and employment along the Front Range, declining resources have led to a transportation funding crisis. The Council continues to rely primarily on federal transportation-related grants and CDOT's FY2014 budget indicates that federal funding is being reduced, both for projects and for planning.

Many communities are having difficulty keeping up with road maintenance. Bridges and other transportation facilities are in a state of disrepair, and transit services are incapable of meeting

North Front Range Transportation & Air Quality Planning Council
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

current needs. Traffic congestion continues to increase, and significant efforts need to be made to address these problems

The VanGo™ Program offers the region's residents a safe, clean, reliable, cost efficient means of commuting outside the region, while removing single occupancy vehicles from congested corridors improving the region's air quality. The Federal Transit Administration (FTA) awarded to the VanGo program a Buy America waiver for minivans, waiving the final assembly Buy America requirement. The Federal Highway Administration (FHWA) provided a Buy American waiver for components allowing the VanGo program to purchase up to 43 vans using the two waivers.

Accomplishments expected during FY2014 include:

- Ongoing implementation of Public Transit/Human Services Transportation Plan
- Maintain Transportation Improvement Plan database
- Maintain and expand the VanGo™ vanpooling program
- Replace half of the active VanGo fleet to reduce the average vehicle age and expenses
- Work on air quality issues, particularly ozone, through partnerships with the Regional Air Quality Council and the Colorado Department of Public Health Air Pollution Control Division
- Perform data, collection and analysis in support of planning functions
- Complete Regional Transit Element Update
- Update Land Use and Travel models
- Update Congestion Management Process
- Complete the Annual Congestion Management Plan Performance Report
- Monitoring and implementation of MAP-21

Requests for Information

This financial report is designed to provide federal and state oversight agencies, taxpayers, and creditors with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Crystal Hedberg, Finance Manager, North Front Range Transportation & Air Quality Planning Council, 419 Canyon Avenue, Suite 300, Fort Collins, Colorado 80521, or by phone at (970) 416-2638, or by e-mail at chedberg@nfrmpo.org.

BASIC FINANCIAL STATEMENTS

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

December 31, 2013

	<u>General Fund</u>	<u>Adjustments (see page 11)</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 2)	\$ 472,949	\$ -	\$ 472,949
Investments (Note 2)	469,189	-	469,189
Receivables	39,677	-	39,677
Grants Receivable	282,361	-	282,361
Prepaid Items	9,130	-	9,130
Capital Assets, Being Depreciated, Net (Note 8)	-	325,331	325,331
Grant Receivables for Long Term Liabilities	-	34,522	34,522
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,273,306</u>	<u>359,853</u>	<u>1,633,159</u>
 <u>LIABILITIES AND NET POSITION</u>			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 200,885	-	200,885
Long-Term Liabilities (Note 7)			
Capital Leases:			
Due Within One Year	-	5,985	5,985
Due In More Than One Year	-	4,713	4,713
Accumulated Leave	-	34,522	34,522
	<hr/>	<hr/>	<hr/>
Total Liabilities	200,885	45,220	246,105
 FUND BALANCE			
Nonspendable for Prepaid Items	9,130	(9,130)	-
Assigned for Operations and Lease Liabilities	1,063,291	(1,063,291)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,072,421	(1,072,421)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 1,273,306</u>	<u>(1,027,201)</u>	<u>246,105</u>
 NET POSITION			
Net Investment in Capital Assets		314,633	314,633
Unrestricted		1,072,421	1,072,421
		<hr/>	<hr/>
Total Net Position		<u>\$ 1,387,054</u>	<u>\$ 1,387,054</u>

The accompanying notes are an integral part of the financial statements.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2013

Adjustments to reconcile the governmental fund balance sheet to the statement of net position is as follows:

Fund Balance per General Fund (see page 10)	\$ 1,072,421
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	
Total Capital Assets, Net	325,331
Long-term liabilities, including capital lease obligations, are not due and payable from current financial resources and, therefore, are not recorded as liabilities in the fund balance sheet:	
Capital Lease Obligations	(10,698)
Some liabilities are not due and payable in the current period and therefore are not reported in the fund balance sheet:	
Accumulated Leave	(34,522)
Some receivables, including those which will pay off accumulated leave, are not measurable and available in the current period and, therefore, are not recorded in the fund balance sheet:	
Grants Receivable for Long Term Liabilities	<u>34,522</u>
Net Position (see page 10)	<u><u>\$ 1,387,054</u></u>

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

**STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES**

Year Ended December 31, 2013

	General Fund	Adjustments (see page 13)	Statement of Activities
REVENUES			
Operating Grants and Contributions			
Grant Revenue - Federal	\$ 1,042,346	\$ (1,017)	\$ 1,041,329
Grant Revenue - Local Match	186,736	(212)	186,524
Capital grants and contributions			
Grant Revenue - Federal	12,553	-	12,553
Grant Revenue - Local Match	3,139	-	3,139
Charges for Services			
VanGo™ Vanpooling Fares	808,473	-	808,473
Other Program Revenues	525,375	-	525,375
General Revenues			
Earnings on Investments	744	-	744
Miscellaneous	739	-	739
Total Revenues	2,580,105	(1,229)	2,578,876
 EXPENDITURES/EXPENSES			
General Government			
Payroll Expense	1,069,760	(1,229)	1,068,531
Fleet Expense	683,416	304,310	987,726
Office Expense	185,600	18,521	204,121
Consultant and Professional Services	360,111	-	360,111
Other Program Expense	60,640	-	60,640
Travel / Conference / Training	10,302	-	10,302
Capital Outlay - Purchases	109,853	(109,853)	-
Debt Service			
Principal Repayment of Capital Lease Obligations	7,140	(7,140)	-
Interest Payments - Capital Lease	7,366	-	7,366
Total Expenditures/ Expenses	2,494,188	204,609	2,698,797
Excess of Revenue over Expenditures/Net Revenue (Expense)	85,917	(205,838)	(119,921)
 Other Financing Sources			
Proceeds from Sale of Capital Assets/Gain on Sale of Capital Assets	32,310	-	32,310
Total Other Financing Sources	32,310		32,310
Change in Fund Balance/Net Position	118,227	(205,838)	(87,611)
 FUND BALANCE/ NET POSITION			
Beginning of the Year	954,194	520,471	1,474,665
End of the Year	\$ 1,072,421	\$ 314,633	\$ 1,387,054

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

Adjustments to reconcile the statement of governmental fund revenues, expenditures and changes in fund balance to the statement of activities are as follows:

Changes in Fund Balance - General Fund (see page 12)	\$ 118,227
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:	
Change in Accumulated Leave	(1,229)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital Outlay - Purchased Assets	109,853
Depreciation	<u>(322,831)</u>
Total	(212,978)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund:	
Change in Grants Receivable for Long Term Liabilities	1,229
Capital lease payments are expenditures in governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities.	
Repayment of Capital Leases Principal	<u>7,140</u>
Change in Net Position (see page 12)	<u><u>\$ (87,611)</u></u>

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL

BUDGETARY COMPARISON STATEMENT
GENERAL FUND

Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Grant Revenue - Federal	\$ 2,491,980	\$ (457,540)	\$ 2,034,440	\$ 1,054,899	\$ (979,541)
Grant Revenue - Local Match	485,106	(57,067)	428,039	189,875	(238,164)
VanGo™ Vanpooling Fares	977,942	(52,031)	925,911	808,473	(117,438)
Other Program Revenues	246,913	283,033	529,946	525,375	(4,571)
Earnings on Investments	-	-	-	744	744
Miscellaneous	-	-	-	739	739
Total Revenues	<u>4,201,941</u>	<u>(283,605)</u>	<u>3,918,336</u>	<u>2,580,105</u>	<u>(1,338,231)</u>
EXPENDITURES					
Payroll Expense	1,213,356	227,862	1,441,218	1,069,760	371,458
Fleet Expense	937,679	(85,248)	852,431	683,416	169,015
Office Expense	176,283	44,180	220,463	185,600	34,863
Consultant and Professional Services	990,717	(426,706)	564,011	360,111	203,900
Other Program Expense	82,345	(480)	81,865	60,640	21,225
Travel/Conf/Training	16,279	(757)	15,522	10,302	5,220
Capital Outlay - Purchases	785,282	(42,456)	742,826	109,853	632,973
Debt Service- Leases	54,000	-	54,000	14,506	39,494
Total Expenditures	<u>4,255,941</u>	<u>(283,605)</u>	<u>3,972,336</u>	<u>2,494,188</u>	<u>1,478,148</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(54,000)</u>	<u>-</u>	<u>(54,000)</u>	<u>85,917</u>	<u>(2,816,379)</u>
OTHER FINANCING SOURCES					
Proceeds of Capital Leases	54,000	-	54,000	-	(54,000)
Proceeds from Sale of Capital Assets	-	-	-	32,310	32,310
Total Other Financing Sources	<u>54,000</u>	<u>-</u>	<u>54,000</u>	<u>32,310</u>	<u>(21,690)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>118,227</u>	<u>118,227</u>
FUND BALANCE, Beginning of the Year			<u>954,194</u>	<u>954,194</u>	<u>-</u>
FUND BALANCE, End of the Year			<u>\$ 954,194</u>	<u>\$ 1,072,421</u>	<u>\$ 118,227</u>

NOTES TO THE FINANCIAL STATEMENTS

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental units, and standards adopted by the Governmental Accounting Standards Board (GASB). A summary of the North Front Range Transportation & Air Quality Planning Council's (Council) significant accounting policies consistently applied in the preparation of these financial statements follows:

A. Reporting Entity

The Council was established in 1988 for the purpose of promoting regional transportation and transportation-related air quality planning, cooperation and coordination among federal, state and local governments and between levels of government within the geographical area defined by the boundaries of the North Front Range Metropolitan Planning Organization (MPO). The Council is a voluntary association of local governments recognized by the Governor as this region's MPO. The MPO's Council representatives are appointed by municipal and county legislative bodies which form the metropolitan area. Member entities include Fort Collins, Greeley, Loveland, Evans, Eaton, Severance, Windsor, Garden City, LaSalle, Berthoud, Johnstown, Milliken, Timnath, Larimer County, and Weld County. The Colorado Transportation Commission's and the Colorado Air Quality Control Commission's representatives are also voting members of the Council.

The Council follows GASB accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

These financial statements include those of the Council (primary government), and should also include organizations for which the Council is financially accountable (component units). Together, these organizations would comprise the Council's reporting entity.

The Council has one component unit, the North Front Range Mobility Alternatives (NFRMA). NFRMA, a non-profit corporation, was formed in 2003 and received its 501(c)(3) determination from the Internal Revenue Service on April 27, 2004. Its board of directors is made up of the same individuals who sit on the MPO Council. NFRMA was created to help position the MPO to compete for a wide variety of non-governmental grants. Its overarching objective is to increase transportation alternatives for all residents of Colorado's North Front Range in an effort to better address mobility, congestion, and air quality issues. During 2013, there were no financial transactions for NFRMA.

B. Government-wide and Fund Financial Statements

Because the Council has only one fund, a general fund, it has presented its government-wide financial statements and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

Since the Council does not operate any enterprise fund or internal service fund activities, there are no proprietary funds to include in this report.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 related cash flows.

Under the modified accrual basis of accounting, as used in governmental fund financial statements, revenues are recognized when they are both measurable and available. Grants and similar items are recognized when eligibility requirements are met and they are both measurable and available. Revenues are considered to be "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Revenues are considered to be "available" when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the Council considers revenues to be available if they are collectible within 60 days of the current fiscal year. Expenditures are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to accumulated leave and claims and judgments, are recorded only when payment is due.

Under the modified accrual basis of accounting, as used in governmental fund financial statements, acquisition costs of capital assets are recorded as expenditures at the time of purchase and depreciation is not recognized on these capital assets.

The Council presents the following major governmental fund:

The General fund is the primary operating fund. It accounts for all general operating financial resources of the Council. There are no resources required to be accounted for in another fund.

D. Budget and Budgetary Accounting

The Council follows these procedures in establishing any budgetary data reflected in the financial statements:

1. During the months of May through July, a proposed budget, referred to as the Unified Planning Work Program (UPWP), for the fiscal year commencing the following October 1 is prepared with coordination from the Technical Advisory Committee, the Finance Committee, and MPO staff, along with input from Colorado Department of Transportation's Division of Transportation Development and Region 4 representatives. The budget includes task scopes of work, proposed expenditures and the means of financing them.
2. Notice of the budget agenda item is published in three regional newspapers designating the meetings in which the budget will be discussed and then adopted.
3. Prior to October 1, the UPWP is adopted by formal resolution. The UPWP is generally adopted by Council action at its August meeting.
4. Expenditures may not exceed the UPWP budgeted totals. Any revisions that alter the total budgeted expenditures of any tasks must be approved by the Council or by means of an administrative amendment, and be formally incorporated into an amended UPWP.

The Council's annual fiscal year budget is based on two fiscal year budgets. January through September is based on the 2013 UPWP fiscal budget and October through December is based on the 2014 UPWP fiscal budget.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

E. Receivables and Prepaid Items

Accounts receivable are expressed net of any allowances for doubtful accounts. Unbilled expenditure reimbursement revenues are accrued as of year-end and included with accounts receivable. All receivables are expected to be received within 60 days.

Grant Receivables for Long Term Liabilities represents pending revenue that would be received as reimbursement for future expenditure payments of the accumulated leave liability.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Governmental Fund Balance Sheet / Statement of Net Position.

F. Capital Assets

Capital assets are reported at historical cost, net of accumulated depreciation, in the Statement of Net Position. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least three years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method with estimated useful lives as follows:

Office Furniture & Equipment.....	3-5 years
Motor Vehicles.....	3-5 years
Leased Vehicles.....	3-5 years

G. Accumulated Leave

The Council allows employees to accumulate unused vacation pay and to defer overtime pay by accumulating compensatory leave up to maximum limits. Unused sick pay is not recognized as a liability because it does not meet the criteria for accrual. The liability associated with these benefits is reported in the Statement of Net Position, along with a corresponding Grant Receivable for Long Term Liabilities.

H. Revenue Recognition

Generally, most of the expenditure activity incurred by the Council is on a cost reimbursement basis through federal grant and local match funding streams. Reimbursement invoices are submitted to Colorado Department of Transportation and the local member entities on a monthly basis for the prior month's net expenditures and recorded as revenue on the date invoiced.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

J. Fund Balance and Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the Council, which is not restricted for any project or other purpose. A deficit will require future funding.

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Planning Council. The Planning Council is the highest level of decision making authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Planning Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Planning Council has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Restricted funds are considered to be spent first, followed by committed, assigned and unassigned, for an expenditure for which any could be used.

NOTE 2: CASH AND INVESTMENTS

The Council's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the Council's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

Colorado Revised Statutes authorize the Council to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

At December 31, 2013, the Council had \$469,189 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), a Colorado local government investment pool trust. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Total interest earned on the investments in and COLOTRUST during 2013 was \$744. As of December 31, 2013, COLOTRUST was rated "AAAm" by Standard & Poor's, a nationally recognized statistical rating organization. The "AAAm" rating signifies excellent safety of invested principal value and limited exposure to loss.

NOTE 3: TABOR AMENDMENT

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and all local governments. Management has obtained a written legal opinion that states the organization is not a local government subject to TABOR.

NOTE 4: RISK MANAGEMENT

Property, Liability, and Workers Compensation

The Council is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool operating as a common risk management and insurance program for member entities. As a member, an annual contribution is paid to CIRSA for property, casualty, and workers' compensation insurance coverage. The intergovernmental agreements for the formation of CIRSA provides that the pool will be self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insurance retention, which is determined each policy year.

Coverage under this membership includes property, liability, crime, public officials errors and omissions liability, and workers' compensation. Settled claims resulting from these risks have not exceeded insurance coverage since inception

Employee Health and Illness

Under an Intergovernmental Services Agreement with the City of Fort Collins (City), the Council provides its permanent employees with comprehensive major medical benefits under two health plan options, up to an aggregate lifetime benefit maximum of \$2 million per participant. Both options are Preferred Provider Options (PPO City Plans). The City's Benefits Fund is utilized to finance and account for medical risks of loss. Stop-loss coverage of \$120,000 per occurrence is retained by the City as excess risk coverage. To date, there have been no claims on behalf of Council employees that have exceeded the stop-loss limit. The Council and employee contributions to these plans were \$87,174 and \$16,296, respectively, during 2013.

NOTE 5: RETIREMENT PLANS

Money Purchase Plan

The Council offers all its permanent, classified employees a defined contribution money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

plus investment earnings. Employees are eligible to participate six months from the date of employment. The plan requires both employer and employees to contribute amounts ranging from 3% to 7.5% (depending on job classification) of base salary each pay period. Contributions made by the Council are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax dollars, and the earnings on Council and employee contributions are not taxed until withdrawn. Employees are fully vested upon initial participation in the plan. Plan provisions and contribution requirements are established and may be amended by Council. The Plan is administered by ICMA Retirement Corporation. Council and employee contributions to the plan were \$55,403 and \$25,073, respectively, during 2013.

Deferred Compensation Plan

The Council offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets under this plan are not considered property of the Council and are held by a third party administrator for the exclusive benefit of the plan participants and their beneficiaries. The Council has little administrative involvement and does not perform the investing function for this plan. Therefore, these assets are not included as part of the financial statements of the Council.

NOTE 6: CONCENTRATION

Approximately 34% of the organization's total revenue of its general fund is from Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) grants administered through Colorado Department of Transportation. Approximately 6% of the organization's total revenue of its General Fund is from FTA grants administered through the MPO.

NOTE 7: CAPITAL LEASES

The Council currently has one van under capital lease. The lease was entered into during 2010 and requires a monthly payment of \$448, with a monthly interest rate of 0.42%. The last payment is required in March 2014.

The Council currently has one copier under capital lease. This lease was entered into during 2011 and requires a monthly lease payment of \$424, with a monthly interest rate of 2.377%. The last payment is required in October 2016.

The carrying value of the assets under these leases is \$8,003 at December 31, 2013.

The following schedule reflects the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2013.

<u>Year Ending December 31</u>	<u>Amount</u>
2014	\$ 5,985
2015	5,087
2016	<u>4,238</u>
Total Minimum Lease Payments	15,310
Less: Amount representing Interest	<u>(4,612)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 10,698</u></u>

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

NOTE 8: CAPITAL ASSETS

A summary of changes to capital assets for the year ended December 31, 2013 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Fleet Equipment	\$ 1,880,706	\$ 85,440	\$ 82,431	\$ 1,883,715
Office Equipment	165,554	24,413	-	189,967
Leased Assets	37,636	-	-	37,636
	<u>2,083,896</u>	<u>109,853</u>	<u>82,431</u>	<u>2,111,318</u>
Total Capital Assets, Being Depreciated				
Accumulated Depreciation				
Fleet Equipment	1,388,639	296,783	82,431	1,602,991
Office Equipment	136,882	18,521	-	155,403
Leased Assets	20,066	7,527	-	27,593
	<u>1,545,587</u>	<u>322,831</u>	<u>82,431</u>	<u>1,785,987</u>
Total Accumulated Depreciation				
Total Capital Assets, Net	<u>\$ 538,309</u>	<u>\$ (212,978)</u>	<u>\$ -</u>	<u>\$ 325,331</u>

Depreciation for capital assets has been allocated to fleet expense for \$304,310 and office expense for \$18,521 on the Statement of Activities.

NORTH FRONT RANGE TRANSPORTATION & AIR QUALITY PLANNING COUNCIL
Notes to the Financial Statements

NOTE 9: LONG-TERM LIABILITIES

A summary of changes in long term liabilities for the year ended December 31, 2013, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accumulated Leave	\$ 35,751	\$ 5,621	\$ 6,850	\$ 34,522	\$ -
Lease Liability	17,838	-	7,140	10,698	5,985
Total Long-Term Liabilities	<u>\$ 53,589</u>	<u>\$ 5,621</u>	<u>\$ 13,990</u>	<u>\$ 45,220</u>	<u>\$ 5,985</u>

NOTE 10: OPERATING LEASES

The Council leases office facilities and certain vanpool vans under non-cancelable operating leases. The office facility lease expires February 28, 2017.

The vans are leased for 2-3 year periods of time. Lease payments to Toyota Financial Services and Marple Leasing are made on a monthly basis. Total costs for the office space and van operating leases were \$99,525 and \$39,287, respectively for the year ended December 31, 2013.

The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31:</u>	<u>Office</u>	<u>Vans</u>
2014	\$105,027	\$ 25,200
2015	107,881	25,200
2016	110,727	16,800
2017	18,553	-
	<u>\$342,188</u>	<u>\$ 67,200</u>

Note 11: Subsequent Events

Management of the Council has evaluated subsequent events through May 1, 2014, the date that the financial statements were available to be issued. In January 2014, the Council purchased five vans totaling approximately \$140,000. No additional transactions or events that would require adjustment to or disclosures in the financial statements were identified.

SUPPLEMENTARY INFORMATION

**North Front Range Transportation & Air Quality Planning Council
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013**

	CFDA #	GRANT #	Pass-through Entity	Start Date	End Date	Federal Award Amount	+/- Change Orders	Prior Years Expenditures	Current Year		Federal Balance Remaining
									Federal Expenditures	Federal Expenditures	
FEDERAL HIGHWAY ADMINISTRATION											
FY12 & FY13 CPG	20.205	12HTD36344	Colorado Dept of Transp	10/21/11	12/31/13	\$ 456,738	\$ 1,226,568	\$ 937,900	\$ 532,105	\$ 213,301	(a)
FY14 7 FY 15 CPG	20.205	14HTD62424	Colorado Dept of Transp	11/29/13	12/31/15	776,227	-	-	41,078	735,149	(a)
FY12 & 13 STP-Metro (matched)	20.205	12HTD44470	Colorado Dept of Transp	06/01/12	09/30/15	365,185	669,136	-	216,886	817,435	(a)
FY10 & 11 STP-Metro (unmatched)	20.205	13HTD54648	Colorado Dept of Transp	04/29/13	03/31/14	180,000	-	-	-	180,000	(b)
FY13 State Planning Funds	20.205	13HTD47396	Colorado Dept of Transp	07/29/12	06/30/14	25,030	-	-	25,030	-	
FY14 State Planning Funds	20.205	14HTD62219	Colorado Dept of Transp	11/29/13	06/30/15	100,000	-	-	8,807	91,193	(a)
Sub-total Federal Highway Administration						1,903,180	1,895,704	937,900	823,906	2,037,078	
FEDERAL TRANSIT ADMINISTRATION											
FY13 5310	20.513	13TR51293	Colorado Dept of Transp	12/17/12	11/23/13	49,000	-	-	49,000	-	
FY13 5310	20.513		City of Fort Collins	10/21/13	09/30/17	46,250	-	-	23,796	22,454	(a)
Sub-total Federal Transit Administration						95,250	-	-	72,796	22,454	
FEDERAL TRANSIT ADMINISTRATION											
FY10 5307	20.507	CO-90-X189-00	Federal Transit Administration	04/27/11	06/30/14	166,153	-	149,534	12,553	4,066	(b)
FY11 5307	20.507	CO-90-X197-00	Federal Transit Administration	3/13/2012	9/30/2014	301,973	-	-	-	301,973	(b)
Sub-total Federal Transit Administration						468,126	-	149,534	12,553	306,039	
FUNDS PASSED THROUGH FROM FEDERAL TRANSIT ADMINISTRATION											
Section 5316 (JARC)	20.516	CO-37-x0037-00	Federal Transit Administration			109,912	-	97,227	12,685	-	
Section 5316 (JARC)	20.516	CO-37-x0043-00	Federal Transit Administration			123,464	-	-	123,464	-	
Section 5317 (New Freedom)	20.521	CO-57-X0005-00	Federal Transit Administration			76,504	-	37,130	5,413	33,961	(c)
Section 5317 (New Freedom)	20.521	CO-57-X0007-00	Federal Transit Administration			90,645	123,057	8,099	2,288	203,315	(c)
Sub-total Passed through Federal Transit Administration						400,525	123,057	142,456	143,850	237,276	
TOTAL FEDERAL AWARDS						\$ 2,867,081	\$ 2,018,761	\$ 1,229,890	\$ 1,053,105	\$ 2,602,847	

NOTES TO SCHEDULE OF FEDERAL EXPENDITURES:

- (a) Balance to be used in CY 2014 for 2014-2015 UPWP Activities
- (b) Balance to be used in CY 2014 for capital purchases
- (c) Balance to be passed through in CY 2014

NOTE 1: BASIS OF PRESENTATION

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the Council, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts reported in, or used in the preparation of the basic financial statements.



Independent Auditor's 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*

Planning Council
North Front Range Transportation & Air Quality Planning Council
Fort Collins, 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 North Front Range Transportation & Air Quality Planning Council (the "Council"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.



The Council's Response to Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Anton Collins Mitchell LLP

Greeley, Colorado
May 1, 2014



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Planning Council
North Front Range Transportation & Air Quality Planning Council
Fort Collins, Colorado

Report on Compliance for Each Major Federal Program

We have audited North Front Range Transportation & Air Quality Planning Council's (the "Council") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Council's major federal programs for the year ended December 31, 2013. The Council'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 laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council'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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 the Council'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 federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

The Council's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report on Internal Control Over Compliance

Management of the Council 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 the Council's internal control over compliance with the 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 OMB Circular A-133, 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 the Council'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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-003 that we consider to be a significant deficiency.

The Council's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anton Collins Mitchell LLP

Greeley, Colorado
May 1, 2014

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Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	Yes
<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualify as a low-risk auditee	Yes

Section II - Financial Statement Findings

2013-001: Segregation of Duties and Internal Controls (Significant Deficiency)

During our walkthrough procedures over internal controls at the Council, the following was identified:

- The Finance Manager is responsible for reconciling the bank accounts and is also an authorized signer on the Council bank accounts. In addition, there is not a secondary review over the bank reconciliations after they have been completed. The Executive Director receives the bank statement and reviews the transactions prior to the reconciliations being performed, but a secondary review is not done once the reconciliation is completed. We recommend that the person responsible for bank reconciliations is not an authorized signer of the Council and that the bank reconciliations are reviewed and approved by someone other than the preparer.
- The employee responsible for processing billing for accounts receivable also opens and processes check payments when they are received and inputs the information to the customer's account. We recommend that the processing of check payments be done by someone other than the person responsible for billing.
- The employee responsible for setting up new vendors in the accounting system also processes accounts payable and issues checks. A vendor Request Form is completed for new vendors and

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changes to existing vendors, which are approved by the Finance Manager prior to setup in the system, but a separate review of vendor changes in the system is not performed on a periodic basis. We recommend that new vendors are either set up by someone outside of the accounts payable process or that the Executive Director review a vendor change report on a regular basis.

- A separate review and approval over journal entries is not performed by an employee other than the preparer. We recommend that a separate review and approval be completed for all manual journal entries processed by the Council.

Management's Corrective Action Plan:

- The Finance Manager will continue to prepare the bank reconciliations but will no longer sign the checks. The bank reconciliations will be reviewed and approved by the Chair of the Finance Committee.
- The processing of check payments will be done by the staff accountant while the invoicing will continue to be done by the Financial/Administrative Specialist.
- The Financial/Administrative Specialist will now be responsible for setting up new vendors in the accounting systems while the staff accountant will continue to process accounts payable and issue checks.
- All manual journal entries will be reviewed and approved by the Executive Director.

2013-002: Accounts Payable (Significant Deficiency)

During our search for unrecorded liabilities, we noted several exceptions in which invoices relating to goods received or services performed prior to the year-end date were not recorded as payables in the proper period. Based on discussion with management, there were a few invoices that were held by another department at year-end and were not forwarded to accounting for payment in a timely manner. Proper cutoffs are critical for the accuracy of the accrual basis of accounting. We suggest that procedures over accounts payable be strengthened to ensure that accounting is aware of outstanding invoices to ensure that cutoff is proper.

Management's Corrective Action Plan:

All invoices will be stamped with the date received, date entered into the accounting system, approval date and date paid. The invoices will be entered into the accounting system when received. Once entered into the system, they will be forwarded to the appropriate person for approval. Payment will not be made until an approval has been received.

Section III - Federal Award Findings and Questioned Costs

2013-003 (Significant Deficiency)

Federal Programs - CFDA 20.205 - Highway Planning and Construction

Compliance Requirements: Allowable Costs

Criteria: Per OMB Circular A87, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit. For employees that work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation.

Condition and context: The Council requires all time sheets to be signed by the employee and the employee's supervisor. Through testing of a sample of payroll allowable costs, we noted that timesheets for two individuals charged to the grant were not approved by the employee's supervisor.

Questioned costs: None identified.

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Cause: The timesheets for these two employees were not submitted to the employee's supervisor for approval prior to payroll being processed. Follow up was not completed to ensure that timesheets were approved prior to payment.

Effect: The Council may charge the grant for salaries and expenses that do not agree to actual time spent by the employee.

Recommendation: We recommend that the Council follow its policies and procedures and obtain supervisor approval for timesheets prior to processing of payroll.

Management's Corrective Action Plan:

All timesheets will be reviewed by the Finance Manager or Executive Director to assure all signatures have been obtained.