

City of Fort Collins

Single Audit Report

Year Ended December 31, 2018

City of Fort Collins
December 31, 2018

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City of Fort Collins

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity	Federal CFDA Number	Pass-Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development						
CDBG Entitlements Grants Cluster						
Community Development Block Grants/Entitlement Grants						
Grant Year 2010 / 2011	Direct		B-10-MC-08-0008	14.218	\$ 65,466.00	\$ 65,466
Grant Year 2013 / 2014	Direct		B-13-MC-08-0008	14.218	85,543.00	85,543
Grant Year 2015 / 2016	Direct		B-15-MC-08-0008	14.218	40,920.00	40,920
Grant Year 2016 / 2017	Direct		B-16-MC-08-0008	14.218	110,176.00	110,176
Grant Year 2017 / 2018	Direct		B-17-MC-08-0008	14.218	1,164,146.00	1,268,705
Grant Year 2018 / 2019	Direct		B-18-MC-08-0008	14.218	50,190.00	81,256
Total CDBG Entitlement Grants Cluster					<u>1,516,441.00</u>	<u>1,652,066</u>
Home Investment Partnerships Program						
Grant Year 2013 / 2014	Direct		M-13-MC-08-0209	14.239	89,965.00	89,965
Grant Year 2016 / 2017	Direct		M-16-MC-08-0209	14.239	112,500.00	112,500
Grant Year 2017 / 2018	Direct		M-17-MC-08-0209	14.239	100,000.00	133,777
Grant Year 2018 / 2019	Direct		M-18-MC-08-0209	15.239	72,000.00	96,319
Subtotal					<u>374,465.00</u>	<u>432,561</u>
Total Department of Housing and Urban Development					<u>1,890,906.00</u>	<u>2,084,627</u>
Department of Justice						
Equitable Sharing Program	Direct		15-5042-0-2-752	16.922	-	772,866
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	Pass-Through	Larimer County	2017-DJ-BX-0785	16.738	-	23,174
Total Department of Justice					<u>-</u>	<u>796,040</u>
Department of Treasury						
Equitable Sharing Program	Direct		15-6400-5-5-123-Forfeiture Fund	21.016	-	1,826
Total Department of Treasury					<u>-</u>	<u>1,826</u>
Department of Transportation						
Highway Safety Cluster						
State and Community Highway Safety (Seatbelt Grant)	Pass-Through	Colorado Department of Transportation	18-NHTSA402.6102	20.600	-	4,893
Total Highway Safety Cluster					<u>-</u>	<u>4,893</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity	Federal CFDA Number	Pass-Through to Subrecipients	Federal Expenditures
Federal Highway Administration						
Highway Planning and Construction Cluster						
Jefferson Street/SH 14 Intersection	Pass-Through	Colorado Department of Transportation	ACQ M455-088 (16525)	20.205	-	14,865
Pitkin Low Stress Corridor	Pass-Through	Colorado Department of Transportation	TAP M455-120 (20664)	20.205	-	5,491
N. College Pedestrian Connection	Pass-Through	Colorado Department of Transportation	AQC M455-111 (19561)	20.205	-	357,385
Horsetooth/College Intstn Impv	Pass-Through	Colorado Department of Transportation	STU M455-118 (20615)	20.205	-	3,201,295
Riverside Bridge Rplcmt	Pass-Through	Colorado Department of Transportation	BRO M455-121 (20825)	20.205	-	1,110,551
Safe Routes to School (CSRTS)	Pass-Through	Colorado Department of Transportation	PO 411016330	20.205	-	17,928
Regional Air Quality Council	Pass-Through	Colorado Department of Transportation	14-HTD-72849	20.205	-	354,517
Total Highway Planning and Construction Cluster					<u>-</u>	<u>5,062,032</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity	Federal CFDA Number	Pass-Through to Subrecipients	Federal Expenditures
Federal Transit Administration						
Federal Transit Cluster						
5309 - 2009 Mason Corridor Small Starts (MAX)	Direct		CO-03-0206-01	20.500	-	117,418
Section 5339 - 2014 (Remaining funds-Wayfinding/Bicycle Racks/Roof Caulking)	Direct		CO-2017-033-00	20.526	-	4,665
Section 5339 - 2015/2016 (Bus and Bus Facilities Formula Apportionment)	Direct		CO-2018-002-00	20.526	-	256,886
Section 5339 - 2017 Facility and Asset Improvements	Direct		CO-2019-009-00	20.526	-	215,444
FY17 5307	Direct		CO-2018-001-00	20.507	-	948,635
FY18 5307	Direct		CO-2018-017-00	20.507	-	4,004,178
FY16/17/18 - 5307 (CMAQ) Operating	Direct		CO-2019-003-00	20.507	-	748,630
Total Federal Transit Cluster					-	<u>6,295,856</u>
Transit Services Programs Cluster						
Enhanced Mobility for Seniors and Individuals with Disabilities						
FY15 5310 (Elderly and Disabled Large Urban)	Direct		CO-2017-025-00	20.513	-	162,784
FY16 5310 - (Large UZA/Paratransit Vehicles/Admin)	Direct		CO-2018-016-00	20.513	-	17,391
Total Transit Services Programs Cluster					-	<u>180,175</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research						
2016 5304 Station Area Planning	Pass-Through	Colorado Department of Transportation	18-HTR-ZL-00057	20.505	-	40,000
Total Department of Transportation					-	<u>11,582,956</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity	Federal CFDA Number	Pass-Through to Subrecipients	Federal Expenditures
Environmental Protection Agency						
Brownfields Assessment and Cleanup Cooperative Agreements	Direct		96806101	66.818	-	105,652
Performance Partnership Grants	Pass-Through	CO Dept of Public Health and Environment	PO FAAA 201800005049	66.605	-	7,735
Total Environmental Protection Agency					-	113,387
FEMA						
Hazard Mitigation Grant	Pass-Through	CO Depart. of Public Safety Division of Homeland Security and Emergency Management	MG4145061126	97.039	-	705,398
Total FEMA					-	705,398
Total Expenditures of Federal Awards						<u>\$ 15,284,234</u>

City of Fort Collins
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Notes to Schedule

(1) Basis of Presentation

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fort Collins (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Honorable Mayor and Members of City Council
City of Fort Collins

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 have not been identified.. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings questioned costs. The City'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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
June 21, 2019

**Report on Compliance for Each Major
Federal Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance**

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
Fort Collins, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Collins's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City'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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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* (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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and Members of City Council
City of Fort Collins

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 City's compliance.

Opinion on Each Major Federal Programs

In our opinion, the City 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, 2018.

Report on Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the City'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. 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.

Honorable Mayor and Members of City Council
City of Fort Collins

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated June 21, 2019 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 as a whole.

BKD, LLP

Denver, Colorado
June 21, 2019

City of Fort Collins
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? ☒ Yes ☐ None reported
Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Material weakness(es) identified? ☐ Yes ☒ No
Significant deficiency(ies) identified? ☐ Yes ☒ None reported

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.500, 20.526, 20.507	Federal Transit Cluster
16.922	Equitable Sharing Program

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2018

8. The threshold to distinguish between Type A and Type B programs was \$750,000.
9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2018

Findings Required to be Reported by Government Auditing Standards

Number	Finding
2018-001	Finding: Accounting for Capital Assets Criteria or Specific Requirement: Accounting principles generally accepted in the United States of America (US GAAP) that address the proper recognition and accounting of capital assets include: • Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments</i> (GASB 34) • Governmental Accounting Standards Board (GASB) Statement No. 37, <i>Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus — an amendment of GASB Statements No. 21 and No. 34</i> (GASB 37) • Governmental Accounting Standards Board (GASB) Statement No. 51, <i>Accounting and Financial Reporting for Intangible Assets</i> (GASB 51) • Various implementation guidance issued by GASB Condition: The City originally passed an ordinance in 2005 allocating 0.25% tax for the construction of capital assets in the Community Capital Improvement Program Fund (CCIP), a special revenue fund. The tax was later extended by Ordinance No. 013-2015 commencing January 1, 2016 and expiring December 31, 2025. When the initiative was extended, the City created a separate fund for the proceeds until which time the proceeds were expended for the approved capital projects. When the approved projects were completed, the taxes were transferred from the CCIP Fund to a capital projects fund. During the year-end financial reporting process, when the City identified capital asset-related expenditures for capitalization, it inadvertently capitalized the same cost twice; once when the expenditure was initially recorded in the CCIP Fund and a second time when those same costs were transferred to the capital projects fund. Effect: The condition noted above resulted in a proposed adjustment to reduce the capital asset balances by approximately \$11.7 million. Of this amount \$8.4 million related to prior periods. Cause: Transfers were recorded in the financial accounting system in such a manner that City personnel included all capital asset expenditures in total capital asset additions in the governmental activities. Recommendation: We recommend that internal controls be strengthened and systems be revised to properly identify these costs in the future and avoid double counting these costs. Adequate training should be provided to all employees as necessary to eliminate this error. Views of Responsible Officials: The City agrees with the finding. See separate report for planned corrective actions.

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2018

Findings Required to be Reported by the Uniform Guidance

**Reference
Number**

Finding

No matters are reportable.

City of Fort Collins
Status of Prior Audit Findings
Year Ended December 31, 2018

Reference Number	Summary of Finding	Status

No matters are reportable.