Federal Awards Reports in Accordance with the Uniform Guidance
December 31, 2025

City of Lafayette

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*

To the Honorable Mayor, City Council, and City Manager
City of Lafayette, Colorado

We have audited, 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 (*Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lafayette (the City), as of and for the year ended December 31, 2025, 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 24, 2026.

Report on 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) as a basis for designing 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 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 City'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 have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Denver, Colorado
June 24, 2026

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Mayor, City Council, and City Manager
City of Lafayette, Colorado

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Lafayette's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2025. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal program.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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 units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 24, 2026, 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 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 as a whole.

Eide Bailly LLP

Denver, Colorado
June 24, 2026

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	2025 Federal Expenditures
U.S. Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program	16.607		$ 5,779
Total Department of Justice			5,779
U.S. Department of Transportation			
Highway Planning and Construction Cluster:			
Passed through Colorado Department of Transportation			
Transportation Alternatives Program	20.205	BRO M750-007	513,438
	20.205	SHO M750-006	63,789
Passed through Colorado Department of Transportation			
National Priority Safety Programs	20.616	*	2,960
Total U.S. Department of Transportation			580,187
Department of Treasury			
Passed through Colorado Department of Local Affairs			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	*	1,663,815
Total Department of Treasury			1,663,815
Total Federal Financial Assistance			$ 2,249,781

* Pass-through number not available

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Lafayette (the City) under programs of the federal government for the year ended December 31, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the 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 fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the de minimis cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$1,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2025-001: **Improper Inclusion of Component Unit in Prior Years Financial Statements**
Material Weakness

Criteria: Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, 61, 80, and 90, establish the criteria for identifying component units and determining whether they should be discretely presented or blended. These standards require governments to evaluate financial accountability, including consideration of appointment of governing boards, fiscal dependency, and the existence of a financial benefit or burden relationship.

Condition: During the current year, management performed a reassessment of the reporting entity in accordance with GASB criteria and determined that, based on the information discovered during this review, an organization previously reported as a discretely presented component unit no longer met the requirements for inclusion in the City's financial statements. The organization had been previously identified as a discretely presented component unit in prior reporting periods.

Cause: The City's prior internal controls over the evaluation and ongoing reassessment of component units were not historically designed or operating effectively to ensure compliance with GASB reporting entity requirements.

Effect: The City's prior period financial statements included a reporting entity that currently should not be presented as a discretely presented component unit, resulting in a misstatement of the reporting entity and related disclosures. This required a correction disclosure and removal of the discretely presented component unit in future financial statements.

Recommendation: We recommend the City strengthen its internal controls over financial reporting by:

- Implementing a formal, documented process for evaluating component units under applicable GASB standards, and
- Performing periodic reassessments of previously identified component units as what occurred in the current year.

Views of Responsible Officials: Agree.

Section III – Federal Award Findings and Questioned Costs

None

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2025

Prepared by Management of

City of Lafayette

City of Lafayette

FINANCE

MEMORANDUM

March 2, 2026

TO: Eide Bailly Audit Team

FROM: Morgan Walton, Deputy Finance Director

RE: 2024 Audit Findings Response

Finding: 2024-001

Initial Fiscal Year Finding Occurred: 2024

Finding Summary: Financial Statement Restatement and Material Adjustment

Based on audit procedures performed as of December 31, 2024, management identified the following adjustment that was recorded in order to fairly present the financial statements in accordance with GAAP:

- A material adjustment resulting in a restatement was made to one of the City's discretely presented component units. The adjustment was to record Lafayette Urban Renewal Authority (LURA) notes receivables totaling approximately $742,000.

Management has posted a correcting journal entry and restated the financial statements for the material item noted above.

Status: The Finance Department has established quarterly meetings with the Economic Development Director who serves as both the LURA and the Downtown Development Authority's (DDA) Director where both parties discuss items related to these two entities to ensure all are aware of items that may impact either department. Finance will also be included in discussions surrounding any new issuances of notes receivable for these entities to ensure they are accounted for correctly as soon as they are issued.

Respectfully,

Morgan Walton

Morgan Walton
Deputy Finance Director

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Financial Statement Findings

2025-001: **Improper Inclusion of Component Unit in Prior Years Financial Statements**
Material Weakness

Criteria: Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, 61, 80, and 90, establish the criteria for identifying component units and determining whether they should be discretely presented or blended. These standards require governments to evaluate financial accountability, including consideration of appointment of governing boards, fiscal dependency, and the existence of a financial benefit or burden relationship.

Condition: During the current year, management performed a reassessment of the reporting entity in accordance with GASB criteria and determined that based on the information discovered during this review an organization previously reported as a discretely presented component unit no longer met the requirements for inclusion in the City's financial statements. The organization had been previously identified as a discretely presented component unit in prior reporting periods.

Cause: The City's prior internal controls over the evaluation and ongoing reassessment of component units were not historically designed or operating effectively to ensure compliance with GASB reporting entity requirements

Effect: The City's prior period financial statements included a reporting entity that currently should not be presented as a discretely presented component unit, resulting in a misstatement of the reporting entity and related disclosures. This required a correction of a disclosure and removal of the discretely presented component unit in future financial statements.

Recommendation: We recommend the City strengthen its internal controls over financial reporting by:

- Implementing a formal, documented process for evaluating component units under applicable GASB standards, and
- Performing periodic reassessments of previously identified component units (as occurred this year)

Views of Responsible Officials: Agree.

City of Lafayette

Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

Corrective Action Plan

2025-001: **Improper Inclusion of Component Unit in Prior Years Financial Statements**
Material Weakness

Finding Summary: During the current year, management performed a reassessment of the reporting entity in accordance with GASB criteria and determined that based on the information discovered during the reassessment that an organization previously reported as a discretely presented component unit did not currently meet the requirements for inclusion in the City's financial statements. The organization had been identified as a discretely presented component unit in prior reporting periods.

Responsible Individuals: City of Lafayette Finance Department

Corrective Action Plan: The City discovered the current incorrect classification of the component unit as part of its routine review and reassessment of items included in the financial statements during the year-end close of 2025. The City contacted their auditors to discuss the misclassification from prior years and determine the correct way to report this information in the current year as well as disclose the change in reporting. The City will continue its review of items reflected on the financial statements and will also continue to enhance and adapt its internal control processes to more quickly identify change in reporting entity.

Anticipated Completion Date: Corrected and Ongoing

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