

**CITY OF FLAGSTAFF, ARIZONA**  
**SINGLE AUDIT ACT REPORTS**  
**YEAR ENDED JUNE 30, 2018**

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

Honorable Mayor and Members of the City Council  
City of Flagstaff, Arizona  
Flagstaff, Arizona

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona (City), as of and for the year ended June 30, 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 December 20, 2018.

**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 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. 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.

Honorable Mayor and Members of the City Council  
City of Flagstaff, Arizona

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 20, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS  
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council  
City of Flagstaff, Arizona  
Flagstaff, Arizona

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

We have audited the City of Flagstaff, Arizona's (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 June 30, 2018. The City's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of 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.

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 Program***

In our opinion, the City of Flagstaff, Arizona 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 June 30, 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 the City Council  
City of Flagstaff, Arizona

**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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2018, 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 20, 2018

**CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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

***Financial Statements***

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   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 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA Numbers  
14.871

Name of Federal Program or Cluster  
Section 8 Housing Choice Vouchers Cluster

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted

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

None noted

**CITY OF FLAGSTAFF, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Award Amount	Expenditures	Subrecipients/ Pass-through
<b>Department of Agriculture</b>					
<b>Passed through Arizona State Forestry Division:</b>					
Cooperative Forestry Assistance - Observatory Mesa	10.664	WFHF 16-208	\$ 178,524	\$ 159,471	\$ -
Cooperative Forestry Assistance - Observatory Mesa	10.664	WBBI 16-601	40,000	40,000	-
Cooperative Forestry Assistance - Forest Stewardship Plan Program	10.664	FT-16-0216-ASF-A1S	8,000	4,750	-
Total Department of Agriculture - CFDA No. 10.664				204,221	-
<b>Department of Commerce</b>					
<b>Direct Programs:</b>					
Economic Development Cluster					
Economic Adjustment Assistance - Business Accelerator and EOC	11.307	07-79-06817	4,000,000	67,399	-
<b>Department of Housing and Urban Development</b>					
<b>Direct Programs:</b>					
Community Development Block Grant 2015-2016	14.218	B-15-MC-04-0510	579,591	9,820	-
Community Development Block Grant 2016-2017	14.218	B-16-MC-04-0510	599,050	234,127	-
Community Development Block Grant 2017-2018	14.218	B-17-MC-04-0510	599,042	318,936	-
Disbursements to Sub-Recipients	14.218			-	252,273
<b>Passed through Coconino County, Arizona:</b>					
Community Development Block Grant	14.218	120-15	266,871	25,445	-
Total Community Development Block Grant Cluster				588,328	252,273
<b>Direct Programs:</b>					
Public & Indian Housing	14.850			425,723	-
Section 8 Project-Based Cluster					
Lower Income Housing Assistance Program - Section 8 Moderate Rehab	14.856	AZ006MRO001/AZ006SRO001	78,909	76,671	-
Housing Choice Voucher Cluster					
Section 8 Housing Choice Voucher	14.871	AZ006	3,686,857	3,877,517	-
Public Housing Capital Fund	14.872	AZ20P00650115	357,680	224,789	-
<b>Passed through Coconino County, Arizona:</b>					
Home Investment Partnership Program 2016	14.239	302-18	250,000	22,289	-
Total Department of Housing and Urban Development				5,215,317	252,273
<b>Department of Interior</b>					
<b>Direct Programs:</b>					
National Park Service Conservation, Protection, Outreach and Education - Dispatch Services	15.954	P12AC10702	25,000	10,000	-
National Park Service Conservation, Protection, Outreach and Education - Dispatch Services	15.954	140P1518P0032	5,000	5,000	-
Total Department of Interior - CFDA No. 15.954				15,000	-
<b>Department of Justice</b>					
<b>Passed through State of Arizona:</b>					
Arizona Internet Crimes Against Children Training 2015	16.543	2015-MC-FX-K027	9,859	3,005	-
<b>Direct Programs:</b>					
Bulletproof Vest Partnership Program 2015	16.607	2015 BVP	9,963	3,748	-
Bulletproof Vest Partnership Program 2016	16.607	2016 BVP	10,059	8,892	-
Bulletproof Vest Partnership Program 2017	16.607	2017 BVP	7,913	4,090	-
Subtotal - CFDA No. 16.607				16,730	-
<b>Passed through Arizona Criminal Justice Commission:</b>					
Edward Byrne Memorial Justice Assistance Grant Program Cycle 30	16.738	DC-17-002	116,664	98,176	-
Edward Byrne Memorial Justice Assistance Grant Program Cycle 31	16.738	DC-18-002	112,203	112,203	-
Subtotal - CFDA No. 16.738				210,379	-
Public Safety Partnership and Community Policing Grant 2017	16.710	2017-UM-WX-0125	250,000	60,082	-
Total Department of Justice				290,196	-

See accompanying notes to schedules of expenditures of federal awards.

**CITY OF FLAGSTAFF, ARIZONA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Award Amount	Expenditures	Subrecipients/ Pass-through
<b>Department of Transportation</b>					
<b>Direct Programs:</b>					
Airport Improvement Program - AIP 39	20.106	AIP-3-04-0015-039-2015	\$ 500,000	\$ 138,468	\$ -
Airport Improvement Program - AIP 40	20.106	AIP-3-04-0015-040-2016	150,000	42,429	-
Airport Improvement Program - AIP 41	20.106	AIP-3-04-0015-041-2017	7,890,485	2,247,193	-
Subtotal - CFDA No. 20.106				2,428,090	-
<b>Passed through Arizona Department of Transportation:</b>					
Highway Planning and Construction - STP	20.205	JPA-11-085	477,000	80,955	-
Highway Planning and Construction - SPR 17	20.205	JPA-11-085	125,000	23,279	-
Highway Planning and Construction - PL 18	20.205	JPA-11-085	137,135	120,316	-
Highway Planning and Construction - SPR 18	20.205	JPA-11-085	125,000	70,047	-
Highway Planning and Construction - STP LED Research	20.205	JPA15-0005287-I	199,000	199,000	-
Subtotal - CFDA No. 20.205				493,597	-
<b>Passed through Arizona State Parks:</b>					
Picture Canyon Trail Improvements	20.219	IGA 11-049-RTP 471510	109,614	7,471	-
Total Highway Planning and Construction Cluster (20.205 and 20.219)				501,068	-
<b>Passed through Arizona Department of Transportation:</b>					
Public Transportation Research - 2017 FTA (24)	20.514	JPA-11-085	37,431	13,179	-
Public Transportation Research - 2018 FTA (25)	20.514	JPA-11-085	36,733	11,257	-
Subtotal - CFDA No. 20.514				24,436	-
<b>Passed through Arizona's Governor's Office of Highway Safety:</b>					
Highway Safety Cluster					
State and Community Highway Safety - DUI/Youth Alcohol Enforcement	20.600	2017-AL-019	25,000	4,766	-
State and Community Highway Safety - DUI OT Task Force	20.600	2017-II-006	30,000	28,080	-
State and Community Highway Safety - DUI Conference Training	20.600	2017-405d-500-503	5,677	5,677	-
State and Community Highway Safety - Accident Investigation	20.600	2018-AI-003	7,868	7,748	-
Subtotal - Highway Safety Cluster CFDA No. 20.600				46,271	-
Total Department of Transportation				2,999,865	-
<b>Institute Of Museum And Library Services</b>					
<b>Passed through Arizona State Library, Archives and Public Records:</b>					
Grants to States - State Grant in Aid	45.310	SGIA 18-A-03	25,000	25,000	-
Grants to States - Environmental Stewardship	45.310	2016-36026-06	12,300	7,882	-
Grants to States - Building Community through Digital Access	45.310	2016-36001-03	6,000	106	-
Grants to States - 2017 LSTA Tuba City 1001	45.310	2017-0170-05	9,000	9,000	-
Total Institute of Museum and Library Services - CFDA No. 45.310				41,988	-
<b>Environmental Protection Agency</b>					
<b>Direct Programs:</b>					
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	00T97401	700,000	149,692	-
Disbursements to Sub-Recipients	66.818			-	149,692
Total Environmental Protection Agency - CFDA No. 66.818				149,692	149,692
<b>Department of Homeland Security</b>					
<b>Direct Programs:</b>					
FEMA AFG Assistance to Firefighters	97.044	EMW-2015-FO-02646	169,450	56,284	-
FEMA Floodplain Management Plan	97.045	EMW-2014-CA-00087	200,000	70,144	-
FEMA Safer Hiring	97.083	EMW-2016-FH-00272	991,230	186,609	-
<b>Passed through Arizona Department of Homeland Security:</b>					
FFY 2016 Bomb Squad Robot Upgrade	97.067	16-AZDOHS-HSGP-160102-01	32,506	7,350	-
2017 Replacement HazMat Monitors	97.067	17-AZDOHS-HSGP-170102-02	15,000	14,887	-
Bomb Suit Replacement	97.067	17-AZDOHS-HSGP-170102-01	34,920	31,636	-
X-Ray Source Replacement	97.067	17-AZDOHS-HSGP-170102-03	6,315	5,720	-
Subtotal - CFDA No. 97.067				59,593	-
Total Department of Homeland Security				372,630	-
<b>Total Expenditures of Federal Awards</b>				<b>\$ 9,356,308</b>	<b>\$ 401,965</b>

See accompanying notes to schedules of expenditures of federal awards.

**CITY OF FLAGSTAFF, ARIZONA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Flagstaff, Arizona under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost 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 cash flows of the City of Flagstaff, Arizona.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

**NOTE 3 INDIRECT COST**

The City did not elect the ten percent de minimus indirect cost rate.