

CITY OF FLAGSTAFF, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2019

**CITY OF FLAGSTAFF, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
SUMMARY OF AUDITORS' RESULTS	6
FINANCIAL STATEMENT FINDINGS	7
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11



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, 2019, 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, 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 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 2019-001 that we consider to be a material weakness.

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*.

City of Flagstaff, Arizona's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 20, 2019



**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, 2019. 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, 2019.

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, 2019, 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, 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 20, 2019

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	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? X yes no

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001: Disbursement Cutoff

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Repeat Finding: No

Condition During the fiscal year 2019, a capital related expenditure in the Capital Projects Bond Construction Fund incurred at or near year end and was recorded in the incorrect fiscal year.

Criteria: Internal controls would dictate that adequate internal controls be designed and implemented to ensure the financial statements include all transactions and are reported in accordance with generally accepted accounting principles.

Context: As each department is responsible for the review and proper recording of the expenditures, there is a control in place that was not performed correctly.

Effect: The lack of review of the invoice resulted in the expenditures and liability to be materially understated at year end. An audit adjustment was proposed and subsequently recorded by management to correct the expenditures and accounts payable for the year.

Cause: Due to department having limited amount of staff and were at high demand at the time the invoice was received the control was not performed correctly.

Recommendation: We recommend the City evaluate its internal controls over expenditures received at or near year end and develop a second review to ensure the proper recording of expenditures.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Brandi Suda, Finance Director

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Award Amount	Expenditures	Subrecipients/ Pass-through
Department of Agriculture					
Passed through Arizona State Forestry Division:					
Cooperative Forestry Assistance - Hazardous Fuels Program	10.664	WFHF 15-212	\$ 116,683	\$ 19,171	\$ -
Cooperative Forestry Assistance - Hazardous Fuels Program	10.664	WFHF 18-203	180,000	16,802	-
Cooperative Forestry Assistance - Invasive Plant Program	10.664	IPG 18-701	20,000	6,069	-
Subtotal				<u>42,042</u>	-
Cooperative Forestry Assistance - Observatory Mesa	10.675	WFHF 17-203	121,858	46,629	-
Total Department of Agriculture				<u>88,671</u>	-
Department of Housing and Urban Development					
Direct Programs:					
Community Development Block Grant 2016-2017	14.218	B-16-MC-04-0510	599,050	2,378	-
Community Development Block Grant 2017-2018	14.218	B-17-MC-04-0510	599,042	349,412	-
Community Development Block Grant 2018-2019	14.218	B-18-MC-04-0510	621,718	345,483	-
Disbursements to Sub-Recipients	14.218			-	199,197
Total Community Development Block Grant Cluster				<u>697,273</u>	<u>199,197</u>
Public and Indian Housing	14.850		1,768,357	607,771	-
Section 8 Project-Based Cluster					
Lower Income Housing Assistance Program - Section 8					
Moderate Rehab	14.856	AZ006MRO001/AZ006SRO001	91,472	91,742	-
Housing Choice Voucher Cluster					
Section 8 Housing Choice Voucher	14.871	AZ006	4,199,801	4,199,801	-
Public Housing Capital Fund	14.872		2,383,677	422,729	-
Passed through Coconino County, Arizona:					
Home Investment Partnership Program	14.239	302-18	250,000	91,826	-
Total Department of Housing and Urban Development				<u>6,111,142</u>	<u>199,197</u>
Department of Interior					
Direct Programs:					
National Park Service Conservation, Protection, Outreach and Education - Dispatch Services	15.954	140P1518P0032	25,000	10,000	-
Total Department of Interior				<u>10,000</u>	-
Department of Justice					
Direct Programs:					
Bulletproof Vest Partnership Program 2016	16.607	2016 BVP	10,059	1,156	-
Bulletproof Vest Partnership Program 2017	16.607	2017 BVP	7,913	3,823	-
Bulletproof Vest Partnership Program 2018	16.607	2018 BVP	12,080	12,080	-
Subtotal - CFDA No. 16.607				<u>17,059</u>	-
Passed through Arizona Criminal Justice Commission:					
Public Safety Partnership and Community Policing Grant 2017	16.710	2017-UM-WX-0125	250,000	149,519	-
Edward Byrne Memorial Justice Assistance Grant Program Cycle 31	16.738	DC-18-002	112,203	(3)	-
Edward Byrne Memorial Justice Assistance Grant Program Cycle 32	16.738	DC-19-002	94,250	94,248	-
Subtotal - CFDA No. 16.738				<u>94,245</u>	-
Total Department of Justice				<u>260,823</u>	-

(Continued)

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, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Contract/Grant Number	Award Amount	Expenditures	Subrecipients/ Pass-through
Department of Transportation					
Direct Programs:					
Airport Improvement Program - AIP 39	20.106	AIP-3-04-0015-039-2015	\$ 500,000	\$ 3,303	\$ -
Airport Improvement Program - AIP 40	20.106	AIP-3-04-0015-040-2016	150,000	26,080	-
Airport Improvement Program - AIP 42	20.106	AIP-3-04-0015-042-2018	850,000	46,726	-
Subtotal - CFDA No. 20.106				76,109	-
Passed through Arizona Department of Transportation:					
Highway Planning and Construction - PL	20.205	GRT-17-0006568-T	145,326	145,327	-
Highway Planning and Construction - SPR	20.205	GRT-17-0006568-T	156,674	101,310	-
Highway Planning and Construction - STBG	20.205	GRT-17-0006568-T	466,761	72,469	-
Highway Planning and Construction - STP O&M Study	20.205	GRT-17-0006568-T	21,812	6,558	-
Subtotal - CFDA No. 20.205				325,664	-
Passed through Arizona State Parks:					
Picture Canyon Trail Improvements	20.219	IGA-11-049-RTP-471510	109,614	37,321	-
Total Highway Planning and Construction Cluster (20.205 and 20.219)				362,985	-
Passed through Arizona Department of Transportation:					
Metropolitan Transportation Planning - FTA 16	20.505	GRT-17-0006568-T	36,121	3,151	-
Metropolitan Transportation Planning - FTA 17	20.505	GRT-17-0006568-T	36,733	631	-
Metropolitan Transportation Planning - FTA 18	20.505	GRT-17-0006568-T	37,431	34,400	-
Metropolitan Transportation Planning - FTA 19	20.505	GRT-17-0006568-T	38,026	9,741	-
Metropolitan Transportation Planning - FTA Route Assignment Model Planni	20.505	GRT-17-0006568-T	29,209	29,209	-
Metropolitan Transportation Planning - FTA Transit Route Assignment Mode	20.505	GRT-17-0006568-T	114,791	12,168	-
Subtotal - CFDA No. 20.505				89,300	-
Passed through Arizona's Governor's Office of Highway Safety:					
Highway Safety Cluster					
State and Community Highway Safety - Extrication Equipment	20.600	2019-EM-007	22,890	22,762	-
State and Community Highway Safety - DUI Enforcement OT	20.616	2019-405d-013	25,000	9,740	-
State and Community Highway Safety - Youth Alcohol Enforcement	20.616	2018-405d-014	20,000	1,371	-
State and Community Highway Safety - DUI Enforcement OT	20.616	2018-405d-015	40,000	14,184	-
State and Community Highway Safety - Youth Alcohol Enforcement	20.616	2019-405d-012	20,000	1,547	-
Subtotal - Highway Safety Cluster				49,604	-
Total Department of Transportation				577,998	-
Institute Of Museum And Library Services					
Passed through Arizona State Library, Archives and Public Records:					
Grants to States - Writers in Residence in Libraries	45.310	2018-0271-01	4,800	4,800	-
Grants to States - Community Enrichment thru Tutoring Underserved Popul	45.310	2018-0260-7	10,000	9,491	-
Grants to States - Intentional Spaces	45.310	2018-0340-1	24,100	24,100	-
Grants to States - State Grant in Aid	45.310	SGIA 19-A-03	25,000	25,000	-
Total Institute of Museum and Library Services - CFDA No. 45.310				63,391	-
Department of Homeland Security					
Direct Programs:					
FEMA SAFER Hiring	97.083	EMW-2016-FH-00272	991,230	392,109	-
Passed through Arizona Department of Homeland Security:					
Bomb Squad Robot Upgrade	97.067	16-AZDOHS-HSGP-160102-01	32,506	-	-
Replacement HazMat Monitors	97.067	17-AZDOHS-HSGP-170102-02	15,000	-	-
Bomb Suit Replacement	97.067	17-AZDOHS-HSGP-170102-01	34,920	2,088	-
X-Ray Source Replacement	97.067	17-AZDOHS-HSGP-170102-03	6,315	376	-
Personal Radiation Detector	97.067	18-AZDOHS-HSGP-1801103-02	8,800	8,528	-
Strengthen Interoperable Communications	97.067	180103-01	23,000	19,501	-
Subtotal - CFDA No. 97.067				30,493	-
Total Department of Homeland Security				422,602	-
Total Expenditures of Federal Awards				\$ 7,534,627	\$ 199,197

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, 2019

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, 2019. 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.