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AGENDA
Council Finance & Audit Committee
August 17, 2020
10:00 am - noon
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the July 20, 2020 Council Finance Committee meeting.

- | | | |
|-----------------|----------|-------------------------|
| 1. Parking Fund | 30 mins. | N. Currell
D. Brooks |
| 2. Audit Review | 20 mins. | B. Dunn
K. Vodden |

Council Finance Committee
Agenda Planning Calendar 2020
 RVSD 07/28/20 ck

Aug. 17th			
	Parking Fund	30 min	N. Currell D. Brooks
	Audit Review	20 min	B. Dunn K. Vodden

Sept. 21st			
	Annual Adjustment Ordinance		
	Parks & Recreation - Master Plan Review	60 min	J. Stokes H. Depew
	Code Revisions for Self-Insurance Fund	15 min	T. Storin J. Duval

Oct. 19th			
	Utility Rebate Consolidation	20 min	J. Poznanovic
	12020 Fee Updates	20 min	J. Poznanovic

Nov. 16th			

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs – TBD
- Metro District Policy Update – TBD 2020



Finance Committee Meeting Minutes

July 20, 2020

10 am - noon

Zoom Meeting

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Emily Gorgol, Susan Gutowsky

Council Members Absent: Ken Summers

Staff: Darin Atteberry, Kelly DiMartino, Carrie Daggett, John Duval, Jenny Lopez Filkins, Travis Storin, Tyler Marr, Terri Runyan, Erik Martin, Blaine Dunn, Kelley Vodden, Jennifer Selenske, SeonAh Kendall, Josh Birks, Jim Byrne, John Stokes, Honore Depew, Mike Calhoon, Dawna Gorkowski, Bob Adams, Janice Saeger, Dean Klingner, Paul Sizemore, Larry Schneider, Kurt Friesen, Teresa Roche, Keen Garbiso, Victoria Shaw, Lawrence Pollack, Cody Forst Dave Lenz, Jo Cech, Zack Mozer, Jennifer Poznanovic, Lucinda Smith, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce
Gavin Kaszynski, CFO Associates of Family Medicine
Mike Svetz PROS Consulting (Parks & Recreation)
Andrew Dobshinsky, Consultant, Olin Partnership (Parks & Recreation)

Meeting called to order at 10:04 am

Approval of Minutes from the June 15, 2020 Council Finance Committee Meeting. Ross Cunniff moved for approval of the minutes as presented. Emily Gorgol seconded the motion. Minutes were approved unanimously.

A. 2020-2021 Budget & Financial Update

Travis Storin, Interim Chief Financial Officer

EXECUTIVE SUMMARY

The purpose of this agenda item is to review:

- The projected 2020-2021 financial scenarios
- Progress against the financial scenarios and remaining shortfall
- Next steps and engagement strategies for 2021 Budget

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions/input to share regarding staff's status and timeline?
- Is the Committee supportive of the 2020 budget cuts identified and recommended by staff?
- Are there questions on the approach to 2021 reduction offers and community engagement?

BACKGROUND/DISCUSSION

Current shortfall projections

As part of the Analysis & Forecasting workstream, staff has developed a revenue forecasting model that allows for individual risk adjustment of approximately 200 different revenue streams across multiple scenarios. The below table represents the four scenarios staff has developed:

Item	Scenario A	Scenario B	Scenario C	Scenario D
2Q Economic Downturn	(15%)	(17.5%)	(20%)	(25%)
Downturn months	3	3	3	4
Recovery months	3	4	8	9
Recovery level (% of base)	97.5%	95%	92.5%	90%
Sales Tax 2020 (% change)	(9%)	(10%)	(12%)	(16%)
Use Tax 2020 (% change)	(13%)	(15%)	(19%)	(24%)
2020 Revenue Shortfall	(\$22 M)	(\$27 M)	(\$31 M)	(\$41 M)
2021 Revenue Shortfall	(\$8 M)	(\$14 M)	(\$19 M)	(\$30 M)

2020 Scenario Progress

In the weeks since this work has begun, staff has identified \$31M in backfill, relief, and cuts for the 2020 shortfall with minimal use of reserves, minimal community impact, and minimal staff impact.

2021 Budget Process

City staff projects a \$18.6M revenue shortfall in 2021 vs. prior projections. There is \$5.2M of identified relief housed within Transit, which indirectly benefits the General Fund. The remaining shortfall of \$13.4M is being addressed throughout July and early August with the Budget Leadership Team.

The Council process from July forward will be very consistent with past years, albeit within the framework of a 1-year budget. Key dates are summarized below:

- Sept. 1st - City Manager's Recommended Budget Published
- Sept. 8th - Council Work Session #1
- Sept. 15th - Public Hearing #1
- Sept. 22nd - Council Work Session #2
- Oct. 6th - Public Hearing #2
- Oct. 13th - Council Work Session #3
- Nov. 3rd - Council First Reading
- Nov. 17th - Council Second Reading

Discussion / Next Steps;


GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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- Are there questions on the approach to 2021 reduction offers and community engagement?

Mayor Troxell; I think this is structured well and well thought through - currently in play at the Congress level – as they resume on the Senate side – The HEROES act from the House side \$500B to cities. First CARES went to cities with populations of 500K or greater. First round – we are not through the storm yet

Emily Gorgol; it is amazing that out of \$31M we are looking at using only \$1M from reserves. The Fall and winter may be hard and we may be going through this again. Thank you for the work and I look forward to the conversation

Ross Cuniff; this is a good presentation of our current understanding of where we are. We are not sure what fall will bring. Maybe we can be in more in a recovery mode soon but in the meantime, we need to prepare for what we know.



\$15.2M Cuts to 2020 Budget

- Capital project delays (\$2.5M)
- Street Maintenance Program (\$2.7M)
- Defer Affordable Housing Competitive Progress (\$401K)
- Lincoln Center Lighting (\$491K)
- Recreation Programming (\$1.2M)
- Fuel savings (\$825K)
- Transit fixed routes during COVID
- Facility services (\$2.2M)
- Discretionary/Travel/Training (\$2M+)

Service impacts to community are minimal except for direct COVID-related impacts;
No anticipated direct personnel impact in 2020 beyond May 1st furlough

Highlights;

Capital Project Delays - \$2.5M - the largest portion is the Linden Street project which has been deferred out to January at the earliest.

Street Maintenance -\$2.7M - 15% cut - 25 lane miles of deferred maintenance deferred out to 2021
Savings associated with closing city pools for the season due to public safety however EPIC is open with reduced schedule for reservations and team use. Mulberry and Senior Center are closed through Labor Day.

Emily Gorgol; Parks and Natural Areas are experiencing very heavy use – it is great that people are enjoying their natural areas – but at the new Shields Street parking / tubing drop at the River - trash and cans etc. – concerns about maintenance costs with current level of use.

John Stokes; the good news in Natural Areas is that we are just about fully staffed this year and our revenues have been decent. Emily, what you saw at Shields Street – by the way, I have seen the same thing – I could not believe how many vehicles parked on the road. We built that new parking lot was built to accommodate the number of vehicles at that time – now it has just blown through that. We try to stay on top of the trash and

parks does the same thing. Parks is probably more effected than Natural Areas. Parks is down approximately 100 seasonal employees - currently have 150 seasonal employees. It is hard to keep up with the current volume of use.

Emily Gorgol; I do have a concern about maintenance with the level of use – I have heard several comments about the city moving forward with flowers downtown and everything looks great there but there is concern about balance. I also have a concern in the neighborhood services area - community engagement services being decreased. What kind of things we are doing to try help people with mental health, etc.?

Ross Cuniff; I agree with Emily, we need to be cautious not to let Natural Areas and Parks degrade while we are going through this. I have a bigger concern on the neighborhood services side – increased complaints regarding fireworks, smoke from outdoor fires, among others. We may want to consider shifting some things around to make sure we can cover the neighborhood quality of life issues.

Paul Sizemore; I appreciate the comments and we definitely have some impacts in our ability to do engagement work especially in the peak of the impacts from Covid – with our current levels of resourcing we have been able to keep up with some of these demands including the 4th of July holiday. The comments are very important as we look forward to 2021 and any future impacts.

ATION ITEM

Ross Cuniff; for the final summary to create a bar chart by outcome area showing the actual cuts by outcome area and dollar amount as I expect it is not being spread equally. Transfers like the CARES act backfilling Transit are different.

Travis Storin took the above request as a follow-up.

Mayor Troxell; anticipating 30K CSU students arriving in our community. They have not been here since March. I am concerned on Covid side but also Impacts to budget side.

Travis Storin; we have to categorize that for now as one of the big macro variables /unknowns - we are working with CSU's projections and schedule including the assumption that students will go home after Thanksgiving through end of semester.

Darin Atteberry; I am grateful for Travis' work and his leadership. I want to acknowledge Travis and his team's work as well as the Budget Lead Team members and so many folks working on this. I know you understand the detail that goes into this including hours and hours of work. I want to express my appreciation. For the most part, very pleased by the small amount of reserves we need to use at this point. I remain hopeful for the 2021 budget as there are other priorities that Council had coming in that I think assuming we can stay the course on Covid- I think there are things that we will still be able to do in 2021 (Vine / Lemay) a lot will depend on Covid. Council Priorities – we are going to be very intentional in the 2021 process – ongoing conversations. We had some hard conversations. This effort is intended to minimize the impact on our residents.

Emily Gorgol; I have some questions about the Community engagement strategy; I think part of it is reacting to the City Manager's Budget (700-page document). Asking Community members to read that size of document – is there a summary? Community members are confused on when and how they can advocate for certain programs. If I wanted to see more funding in some area - when would that take place?

Travis Storin; we do provide several budget summaries for folks so they don't have to read the entire Budget document.

Lawrence Pollack; entry point for interested citizens – the challenge is timing this year as traditionally we would have had outreach efforts kick off in June - what that allows us to do is take a snapshot of that feedback and get to the BLT and BFO teams as they are working on the budget. We would be posting the information and offers so they are visible on the web in early August which will dovetail with community outreach – there really wasn't an opportunity to get that information back solely due to this year's timing which is not ideal. We have really ramped up community engagement in the last 3 budget cycles which has provided excellent information. Citizen input on offers and alignment to the Strategic Plan is powerful – unfortunately that we will not have the opportunity that feedback into this cycle simply due to the timing. We will be able to have that conversation as part of the Council dialog – based on that there may be modifications in the fall.

Travis Storin; the narrative that describes the staff process and the trade-offs is about 20 pages long and another 30 pages or so of charts. Governance - where do your tax dollars go?

Lawrence Pollack; a number of years ago, Council Member Martinez asked for a summary – a shorter, more easily digestible format - 50 or so page summary – we could do something similar on the recommended budget.

Lawrence took this action item for follow up.

ACTION ITEM; Emily Gorgol; milestones; can we add information on when Citizens need to submit input by?

Travis Storin took this action item for follow up.

Mayor Troxell; are there any Council engagement opportunities between now and September?

Travis Storin; we have an August 11th work session scheduled where we can describe

Mayor Troxell; It would be good to know the public engagement part of that – generally how we are reaching out

ACTION ITEM:

Ross Cunniff; Do we have a list of targeted community outreach on the budget? (organizations or groups)

Travis Storin; that has not come through in a Council Packet – the specific groups were not mentioned in that memo. I will work with CPIO and get that list. Travis will follow up.

Darin Atteberry; we would prefer that Ross so we will let you know the various outreach groups and opportunities. If council members have additional thoughts, ideas, or suggestions, we are eager to get that or maybe virtual conversations that are going on - we are at a disadvantage but any insights you may have would be helpful.

Kelly DiMartino; forums are being held to help provide foundational understanding for people because we have heard that it is hard for people to know where and how to wrangle this thing. This year we are trying to provide more opportunities for learning and getting the lay of the land.

Darin Atteberry; more so this year, we need to stress this – Emily, depending on someone’s level of interest, there are cascading opportunities. We do not expect people to read a 600-700 -page document. They can dig in at the level they like whether that is staying up at 50K feet level or if someone wants to get into more detail, we have the ability for folks to do that as well. Biggest challenge we have as far as communications, how to participate in the local budget – we want to make really clear that this is where to go, how to engage. The team is very open to that.

B. Coronavirus Relief Fund (CVRF), CARES Act, Title V Allocation

Blaine Dunn, Interim Accounting Director

SeonAh Kendall, City Recovery Manager

EXECUTIVE SUMMARY

The purpose of this agenda item is to review City’s Coronavirus Relief Fund (CVRF) allocation:

- Intent and eligibility of reimbursable costs/expenditures
- Potential process for distribution
- Reporting schedule

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions about the intent and eligibility of CVRF?
- Is the Committee supportive of the distribution allocations?

An emergency ordinance is being sought due to the immediate exigency in addressing COVID-19. On June 23, 2020, Resolution 2020-059 approved by City Council allowed City Manager Atteberry to enter into an intergovernmental agreement (IGA) with Larimer County for the allocation of the CARES CVRF. The IGA allocated \$9,015,692 to the City of Fort Collins to respond and address COVID-19.

BACKGROUND/DISCUSSION On May 18, 2020, Governor Polis signed Executive Order D2020 070, Directing the Expenditure of Federal Funds Pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to establish the Coronavirus Relief Fund (CVRF). Through the Department of Local Affairs (DOLA) this fund will reimburse costs to Counties, Municipalities and Special Districts that:

1. Are necessary expenditures incurred due to the COVID-19 public health emergency (COVID-19 emergency).
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Intent

The City has incurred increased expenditures due to COVID 19 health emergency response. The requirement expenditures be incurred “due to” the public health emergency means expenditures must be used for actions taken to respond to the public health emergency. Costs incurred by the City from March 1, 2020 – December 30, 2020 are reimbursable, as long as those items were not budgeted as of March 27, 2020. The CARES CVRF does not allow for municipality revenue backfill/replacement, including the replacement of unpaid utility fees or tax obligations.

Eligible Expenditures

- **Direct City** incurred expenditures to address the public health emergency including such costs as:
 - Payroll expenses for public safety, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

- Expenses for communication of the public health orders.
- Expenses for medical and protective supplies, including sanitizing products and personal protective equipment.
- Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
- Expenses for providing paid sick and paid family and medical leave to public employees.
- Expenses to facilitate compliance with COVID-19-related public health measures **for our residents**, such as expenses to support:
 - Rental assistance to prevent homelessness.
 - Utility payment assistance to continue to receive essential services
 - Food delivery to residents, including, for example, senior citizens and other vulnerable population.
 - Facilitation of distance learning and remote working, including technological improvements.
 - Emergency sheltering for people experiencing homelessness to mitigate COVID-19 effects and enable social distancing compliance.
- Expenses associated with the provision of economic support **for our business community**, such as expenses to support
 - Provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.

Sector	Direct City Response	Residents	Businesses
Proposed Distribution	28%	42%	30%
Expended	\$558,000	\$233,000	\$165,000
Available Funds	\$2,009,692	\$3,510,000	\$2,539,000
Total	\$2,567,692	\$3,743,000	\$2,705,000

Proposed for Distribution

CARES funding requests for all entities will utilize an application, verification, and tracking process to align with the CRVF criteria. Once requests are received and prioritized, the proposed slate will go to Council for final acceptance.

Direct City Response Funds:

- Internal request and tracking process set up and monitored through EOC.

Businesses:

- Distribution to support businesses will be through a financial assistance application process:
 - Although economic recovery support is directly to local businesses, this overall benefits the residents and community – the City’s Economic Health Office (EHO) has proposed a grant process to support businesses between 5 – 20 employees, has existed for over one year (prior to March 1, 2020), and remained in good standing with the State of Colorado, Larimer County and the City of Fort Collins. EHO has indicated a desire to allocate a specific portion of this direct support to disadvantage business enterprises (DBEs) such as women-, minority- and veteran-owned businesses.

Residents:

- Social recovery for our residents is another component of community recovery. The City’s Social Sustainability Office has identified needs and nonprofit organizations that would meet the required need

and ability to address COVID-19. Applicants for residents will be private, nonprofit organization that is non-governmental.

Reporting Schedule


Due to subrecipient relationship nature, and defined time eligibility of the distributions, Staff is recommending monthly status reports of expenditures and milestones to City Council. An end-of-year impact report will be provided to City Council by March 31, 2021.

Discussion / Next Steps;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions about the intent and eligibility of CVRF?
- Is the Committee supportive of the distribution allocations?

\$9M CARES allocation from state’s allocation for Fort Collins – we were not anticipating this – Governor on a prelim basis – they were going to retain – Larimer County awarded a \$31M piece and based on population and other factors we will be \$9M

<div>  <div>CARES CVRF Oversight</div> </div>		
Direct City Response for COVID	Residential Support for COVID	Business Support for COVID
<p>Total: \$2,567,692 or 28%</p> <p>Examples: Community recovery includes reimbursing City expenses such as supplies, personal protective equipment, personnel costs and improve telework capabilities during emergency COVID crisis.</p> <p>Process:</p> <ul style="list-style-type: none"> • Funds expended to address the public health related to COVID19 from March – June 2020 are eligible for reimbursement • Department Project Managers use standardized request and tracking process 	<p>Total: \$3,743,000 or 42%</p> <p>Examples: Social recovery including rental assistance, utility payment assistance, food security and childcare assistance and physical distancing in congregate and non-congregate shelters for homeless.</p> <p>Process:</p> <ul style="list-style-type: none"> • FAQs & grant criteria established • Application process for requests through fcgov.com website • Reimbursement selection committee will be assigned (monthly reporting to ELT and Council) • Recipient reimbursement and audit process 	<p>Total: \$2,705,000 or 30%</p> <p>Examples: Economic recovery including small business grants for rental assistance, payroll, etc. Area of interest is in disadvantaged business enterprises (DBEs) such as women-, minority- and veteran-owned businesses.</p> <p>Process:</p> <p>FAQs & grant criteria established</p> <ul style="list-style-type: none"> • Application process for requests through fcgov.com website • Reimbursement selection committee will be assigned (monthly reporting to ELT and Council) • Recipient reimbursement and audit process

Mayor Troxell; with regards to Connexion working with PSD on providing connectivity to some of our trailer park neighborhoods. Is that in there too?

SeonAh Kendall; yes, \$50K for a feasibility study - our partners are talking about a range of \$300-500K per manufactured home community - Fort Collins has 11 manufactured home communities – we are trying to hone in on what can be done at the county level and the municipal level.

Mayor Troxell; the schedule looks good - looking forward to the upcoming July 28th adjourned meeting to further discuss this topic. I am supportive of the work and the allocations.

Emily Gorgol; confirming there is \$50K for the study but no money for the actual connectivity.

SeonAh Kendall; we put in known items first and there is a cushion -allocation vs direct dollar - Digital access would be in the Residential Support for COVID category 42% allocated to that space specifically - we were aware of the number \$300 -500K. Can we have a regional conversation and have multiple partners?

Emily Gorgol; in addition to rental assistance are we able to provide mortgage assistance?

SeonAh Kendall; we are looking at what state is doing. Blaine and I will go back in to understand the changes around mortgage assistance. The US Treasury is providing frequent updates on what is and is not eligible. We want to make sure we are following the state guidance.

Blaine Dunn; we are trying to leave some flexibility within those numbers so that as we get more guidance from the Treasury and the state, we will have the flexibility to make those changes as needed.

Emily Gorgol; I am happy to see the utility payment assistance in there as well.

For the business support, are we able to have money for restaurants who need to redo enclosed patios looking forward to fall and winter for additional new space?

Josh Birks; we are still working out the exact details of the small business grant program and what it would look like. Modifications to a business premise in order to operate safely. For retail establishments that could include putting up plexiglass or making other changes to facilitate one-way traffic through their establishment, etc. Business grants will be spanning the whole host of types of businesses. For office space, it could include very similar expenses to what the city incurred to facilitate working remotely. Most of that would probably be on a reimbursement basis. So, we would be looking to understand what their needs are.

Emily Gorgol; what about Disadvantaged Business Entities; DBEs (women, minority, low income and veteran owned businesses). Is that a reimbursement process as well?

Josh Birks; nothing has been finalized - plane is mid-flight while we build out the actual details - the best practices that we have seen around the country are to primarily focus on reimbursement basis – we are also looking at possibly pairing some technical assistance in allowing funds to be used for that as well. We have not conceived of a difference between DBEs and other businesses in terms of approach. My office is interested in having a target or even set aside a portion of the funds to be earmarked for DBEs.

SeonAh Kendall; the rationale around the reimbursements - these must be because of Covid - as sub recipients of the city they would have to follow same guidelines in terms of not being previously budgeted and having to do with Covid, etc.

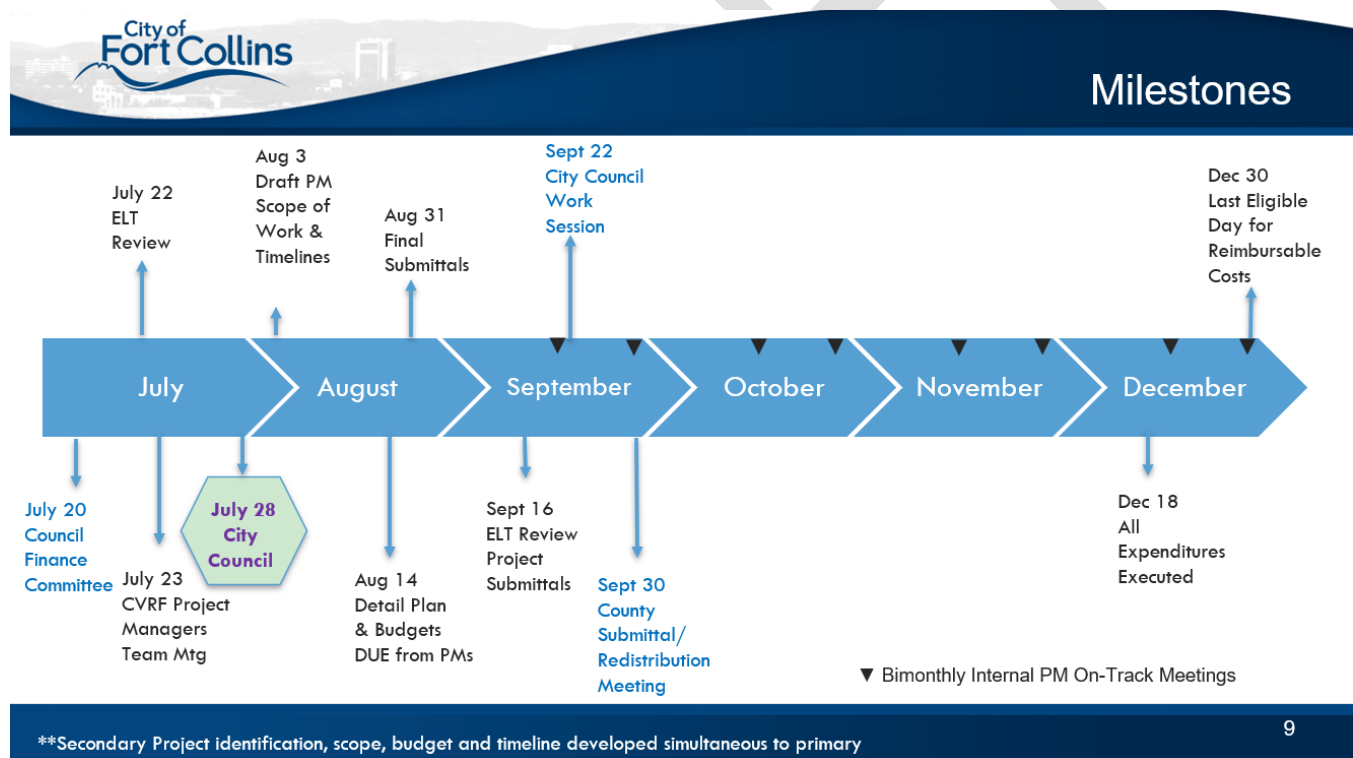
Emily Gorgol; I am guessing that DBEs would not have access to upfront capital to cost those type of costs. I would be concerned that a reimbursement model could be challenging for them. Are we able to support skill and education opportunities for folks whose jobs will not be coming back?

SeonAh and Josh are working with the county regarding what would retraining or skills training look like and could CARES dollars be used for that.

Ross Cunniff; Emily touched on a couple of questions that I had. I agree with the Mayor, I like our timeline, July 28th allows us to dig in a little more. The more detail you can get to Council in advance of that the better. One of the concerns we will have will be making sure we are prioritizing how we are doing this relative to the impacts to our community. If we have a way of quantifying that would be helpful; how many people need rental assistance, how many need additional utilities assistance. How many businesses need this capital improvement option for Covid response? If we could get some data on that to help us balance those numbers that would be helpful.

Susan Gutowsky; are we going to target seniors? They are not as assertive in seeking out resources and yet I am hearing that they are being stretched to the point where rent is exceeding their monthly funds. Is there some way we can support them? So many seem to be one paycheck away from homelessness. I talked with Kelly Evans with Neighbor to Neighbor and she said they were acutely aware that more and more seniors are in dire need of assistance.

SeonAh Kendall; I would be happy to reach out to a couple of folks obviously within Social Sustainability but also, we have a robust volunteer program with the city. I would probably reach out to Sue Schafer to have a conversation regarding how we do that outreach.



C. Parks & Recreation – Master Plan – Funding

John Stokes, Deputy Director, Community Services

Honore Depew, Sr. Project Manager

EXECUTIVE SUMMARY

The purpose of this item is to provide an overview of findings so far from a funding analysis of parks and recreation facilities. Presentation by Interim Community Services Director, John Stokes. Consults and department directors available for discussion/questions.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is the proposed scope and direction of the financial analysis appropriate?

BACKGROUND/DISCUSSION

The Parks and Recreation Master Plan update process began in November 2019 and has included extensive system analysis and community engagement. Staff has been working with a consultant team, stakeholders, and the community to identify parks and recreation desires, assess how Fort Collins compares to other peer and benchmark communities, and identify key issues and priorities the plan should address – including a long-term financial framework.

Staff and the consulting team are conducting a thorough and detailed analysis of the entire inventory of parks and recreational facilities. The assessment includes an appraisal of assets and amenities throughout the system using benchmark communities, national trends, and survey data as guideposts. From this work current levels of service can be compared, and future amenities and services anticipated.

Several approaches are being used to develop an understanding of how current facilities compare to benchmark communities, and how those facilities relate to what Fort Collins' community members have highlighted in through surveys, open houses, etc. The analysis also includes an evaluation of the funding structures in place to support development, maintenance, replacement, and programming.

The Total Cost of Ownership for a Park or Recreation facility includes four buckets:

- 1) capital needed to build it in the first place,
- 2) funds to maintain it (operations and maintenance),
- 3) funds to replace/upgrade parts and equipment (lifecycle replacement), and
- 4) funds to completely redesign or remodel when necessary (refresh).

Fort Collins has historically managed the first bucket successfully – new recreation facilities have been funded with tax initiatives and new parks with dedicated impact fees. The other three buckets compete for general funds as part of the budget process every two years. As a result, the long-term sustainability of maintenance, lifecycle and refresh are not assured.

Preliminary findings from the funding analysis:

Parks Department

- Large and diverse Parks system (1,190 acres)
 - Expansive inventory of assets creates systematic pressures
- Annual funding for lifecycle replacement of Parks amenities (asset management) is approximately \$4 million below the recommended target investment, based on industry standards to invest 3% of total asset value each year

- Fort Collins spends less per acre on operations and maintenance than the national median but more than the national median per capita
- Development of a capital improvement plan by Parks and Park Planning and Development is an important next step for the sustainability of Parks asset management

Recreation Department

- 60% of community participating in Recreation programs suggests strong value
- Recreation typically recovers more than half of expenditures, even including overhead costs such as maintenance from Operation Services
- Modest ability to increased cost recovery on longer (5-10 year) time horizon
- Limited resources to maintain and improve facilities
- Staffing is lean and relies heavily on hourly workers

Next Steps

- Complete a level of service analysis
- Complete a forward-looking asset management financial projection for individual parks and recreational facilities (capital improvement plan)
- Identify strategies for funding alternatives and options
- Conduct additional community outreach
- City Council Work Session: Aug. 25
- Council Finance Committee: Sept. 21

Discussion / Next Steps;

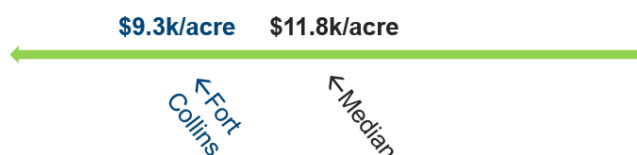
GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is the proposed scope and direction of the financial analysis appropriate?

Mike Calhoon over \$12M park - \$2M in downtown area
Includes a lot of parks – Mulberry to Cherry



- National median annual spending for Parks maintenance is \$11,813 per acre
- Fort Collins spends ~\$10,340 per acre annually
- Accounting for higher cost of living in Fort Collins, the per acre comparative cost adjusts to \$9,306



ACTION ITEM:

Ross Cunniff; regarding the slide above - what percent of the per acre cost/ budget is personnel? Fuel? Capital? Concrete? What is the breakdown and what are the cost of living implications?

John Stoke - Fort Collins' cost of living is 9% higher than benchmark communities in the US.
John will follow up with Ross with the requested detail.

Mike Svetz; 2/3 of the overall budget is personnel



Ross Cunniff; do we have a benchmark on the 3% of asset value?

Mike Svetz; there is not necessarily a benchmark – 3-5% to do life cycle replacement – understanding that lifecycle management never stops in a parks system – we do ask that they set aside 3-5% annually for life cycle management

Ross Cunniff; would be interesting to break it down by asset class – for paved trails, facilities, pools etc. – like we figured out for streets – to hone in on right number and help us make decision on what we be shifting to accommodate

John Stokes; there is a lot of work going on behind the scenes in terms of that number - clearly this is an area where we need to do a deeper dive and will address your comments.

Mayor Troxell; doing comparative analysis like we do in other areas – streets, etc. would be helpful by asset classes – with regards to responsibilities of parks – Old Town and median work- neighborhood parks / community parks - is there a breakdown there? Shines the light on the real value that impacts our community – Nature in the City – access – we have that with our parks as well – median work, Old town.

John Stokes; we do have budgets for those items - it would be interesting to know if other communities - our cost per acre – how is that influenced by median work being part of that?

Mike Svetz; provided the exact breakdown – we have taken a cost of service approach based on park classification and area – that is how we derived the general shortfall associated with ongoing park maintenance – We did a mini cost of service analysis which provided an understand that for every acre of park - what you would potentially need to be spending for any new development –that speaks to that total cost of ownership concept.

Mike Calhoon; \$12M for the whole parks division with over \$2M in the Downtown area which also includes a lot of parks in the downtown are between Mulberry and Cherry – The people that I have talked with – it is mixed bag for other communities. Public works to contractors.

Mike Svetz; dependent on the community – there are a lot of value systems that speak to wanting to contract things out – you always run the risk of cost volatility and quality of work – the park systems is exceptionally well maintained and consistently maintained – the departments that seem to perform the best and do the most consistent job seem to be inhouse within the available resources.

Mayor Troxell; Parks -it is a public function that is enabling a benefit - not just cutting grass – our Parks folks do an outstanding job – recognizing is important to our community to understand – one of the special features of our community that people appreciate. Funding is an important one we need to address as a Council and a community – sustainable framework.

Ross Cunniff; this is a really good start - good work. On the revenue sources it would be interesting to know how other communities are doing this – is it out of their general fund or do they have dedicated

tax revenue for it? Interested in exploring more diverse ways of providing funding for parks - for example; tax for service, on-bill impact fee type - exploring those options - what are the possibilities for Fort Collins - If we always put this in the General Fund it will always be first on the chopping block in tough times.

John Stokes; Thank you Ross for those comments; we will be taking a look at a variety of potential funding mechanisms; park investment fees, trail expansion fee, maybe a way we can work this into our Capital Expansion fee program beyond investment and new parks only. There are several concepts we will be exploring throughout this process. This is an iterative process - we have a lot of homework yet to do – although we didn't share this today - we have done some very interesting deep dive analysis on cost recovery in recreation- which programs are super cost effective and which ones are not.

Darin Atteberry; we are in good shape on this - Ross had some questions around industry standards and metrics around the 3-5%. 3-5% is pretty normal as an operating fund for public facilities. Ken Mannon 3-5% line item - some years we do a pretty good job and some years we have had other priorities. The number that is being proposed is reasonable. We went into this to understand what our needs and gaps are - Fort Collins has an amazing portfolio and plan - we are in a good position but as every single city service we have, costs are increasing and when we get into the conversation about the design of future facilities and as we update existing facilities and probably over the last 10 years we have been more mindful about total operating expense and cost of ownership. We have better insight - it is a huge asset portfolio that we need to be very cognizant of. Thanks to everyone – this has been a great discussion.

D. Recordkeeping Change – Nationwide Transition Update

Joaquin 'Keen' Garbiso

EXECUTIVE SUMMARY

As a part of the City's municipal code, we must take our benefit programs out to a competitive procurement process. This allowed us the opportunity to view what is happening nationally, what organizations are doing to stay competitive both for their talent and financially and to ensure we are offering the best benefit programs for our employees. After a thorough and competitive process, Nationwide was selected.

- The City has been with ICMA-RC for 45 years, accumulating over \$500M in assets

We are currently working through all aspects of this transition.

In working with outside counsel Dan Lacomis, it was determined City Council must approve the documents transitioning the City-sponsored retirement plans for City employees from ICMA-RC to Nationwide because the City Council is the governing body of the municipal corporation.

Documents to be approved are:

- Adoption Agreement (along with attachments)
- Trust Agreement
- Merger of plan agreement (plan consolidation approval)
- An Affiliation Agreement with each affiliated entity (PFA, DDA and Library)

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

We would like to provide a high-level overview of the transition and future Council action required on August 18 and respond to any questions or comments.

BACKGROUND/DISCUSSION

With ICMA-RC, the City and its affiliates (PFA, Library and DDA) had over 29 plans (20 of which are active via payroll deductions) consisting of 401(a), 457(b) Deferred Compensation and Retirement Health Savings (RHS) Plan, which in the future will be known as a Post-Employment Health Plan (PEHP) offered through a Voluntary Employee Beneficiary Associate (VEBA) trust.

In partnership with Nationwide, Jenny Lopez Filkins, outside counsel (Dan Lacomis), our affiliates and their legal counsel, we have consolidated our plans to 15.

- 401(a): 6 Plans
- 457(b): 4 Plans
- PEHP: 5 Plans

Discussion / Next Steps;

Mayor Troxell; of cost and benefits to those that are impacted with this change. Is this a cost / benefit neutral thing – or just good administering / keep your house in order thing or is there more to be aware of?

Teresa Roche; we did an RFP after doing a competitive landscape view with Innovest (our financial partner). When we went out to bid which is a good business practice and is required by charter – we looked at who we are serving today – demographics, organization - we did see that we were going to be able to lower costs while providing more engagement and education. They have some very powerful metrics on client satisfaction. Measures that will let us know if we are truly taking care of the needs of our employees. We feel that this will be a far better partner for us going forward.

Ross Cuniff; this looks straightforward – Consent Resolution makes a lot of sense. Thank you for getting this done.

Darin Atteberry; I do stand behind this - this was a good practice to going out to bid. Improved accessibility for our changing workforce, better access. HR, CAO and Financial Services have spent a great amount of time on this and it has been a very long transition. Think this is the right path forward for our employees and for the city.

Meeting adjourned at noon.

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Drew Brooks, Transfort/Parking Services Director
Noelle Currell, Planning, Development & Transportation Finance Manager

Date: August 17, 2020

SUBJECT FOR DISCUSSION

Parking Fund COVID Financial Impacts

EXECUTIVE SUMMARY

The Parking Fund is currently consuming reserves at the rate of \$88k/month because of COVID. These impacts are due to both the overall economic environment as well as Emergency Orders issued to help support both businesses and residents.

The Parking Fund is expected to lose approximately \$845k of fund balance over the course of 2020.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Inform Council Finance of the current financial status of the Parking Fund.

BACKGROUND/DISCUSSION

The Parking Fund is an administrative (non-codified) governmental fund. It was created in 2015 to ensure that Parking Revenue that is generated through a variety of sources will only be used to further the Parking Mission (not provide a supplemental funding source for General Fund activities). As a non-enterprise fund, Parking is not intended to be self-regulating.

Leading into COVID; revenues and expenses were nearly balanced (with expenses being slightly higher than revenue in recent years and in the 2020 budget):

	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budget 2020
Beginning Balance	0	1,510,396	1,516,953	1,796,033	1,546,205	1,487,872
Revenue	3,661,192	2,368,112	2,755,408	3,278,679	2,698,547	2,857,432
Expenses	2,150,796	2,361,555	2,476,328	3,528,507	2,756,881	2,900,003
Surplus / (Deficit)	1,510,396	6,557	279,080	(249,828)	(58,334)	(42,571)
<u>Ending Balance</u>	<u>1,510,396</u>	<u>1,516,953</u>	<u>1,796,033</u>	<u>1,546,205</u>	<u>1,487,872</u>	<u>1,445,301</u>

The impacts of both City decisions to support the economy and residents have had large negative impacts on Parking revenues. Parking has not been able to lower its expenses proportionally due to nature of the expenses; for example, software/hardware for garages/pay stations and existing security contracts with the garages. Due to the impact on revenue and nature of the expenses in the fund, reserves are being consumed at the rate of about \$88k/month on average.

Though it is expected that the Parking Fund will have a positive fund balance at the end of 2020, there is currently no path to rebuild that fund balance, nor pay for additional critical needs (e.g. Civic Center Parking Structure Elevator repairs). Budgeted ending fund balance for 2020 was \$1,455,301. Forecasted fund balance is \$708,501. Note that this decrease in fund balance will cause the use of specific Civic Center Reserves.

Staff is closely monitoring the situation and will make adjustments as nimbly as possible to continue to serve and support the community. Additional strains on the fund will be communicated to City Leadership and Council as soon as they are brought to light.

ATTACHMENTS

Attachment 1 – Parking Fund Council Finance August 2020 PowerPoint Presentation



Thursday, March 26, 2020 – 12:17pm

Inform Council Finance Committee on the current status of the Parking Fund

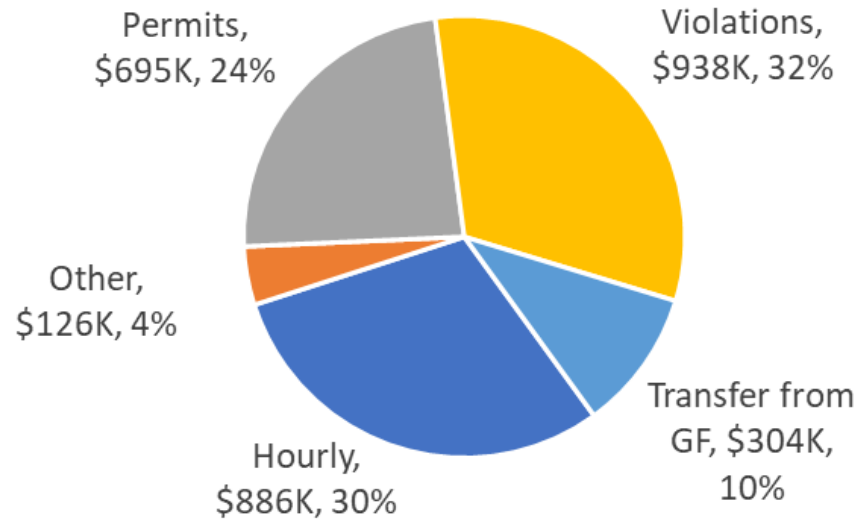
Support, and be ambassadors for, all who work, shop, and live in Fort Collins through efficient parking supply/demand management.

- Help businesses thrive
- Good stewardship of parking revenue and general revenue funds
- Maintain resources for safe and efficient operations
- Keeping parking operations viable

- How Parking is Funded & How Revenues are Spent
- COVID Impacts
- Fund Forecast
- What's Next

How is Parking Funded?

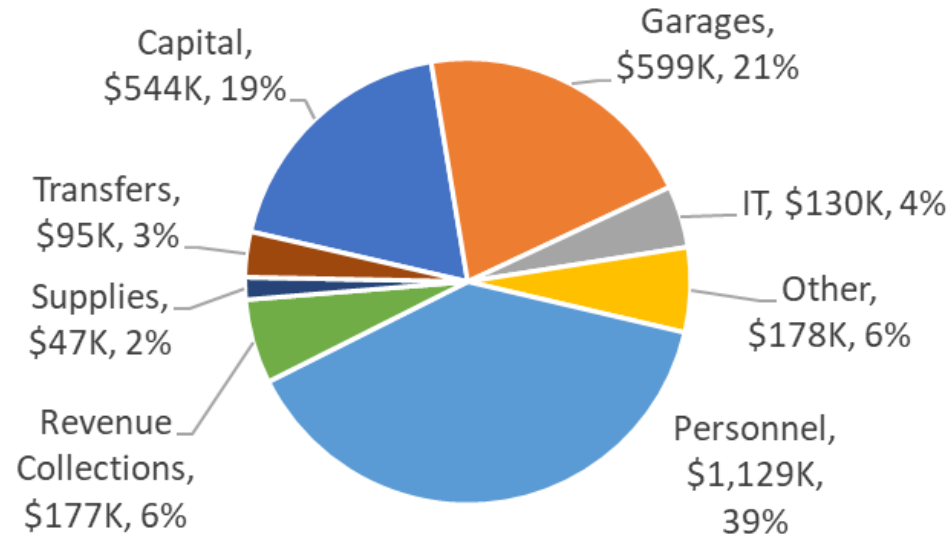
'17, '18, '19 Average Revenues - \$2.9M



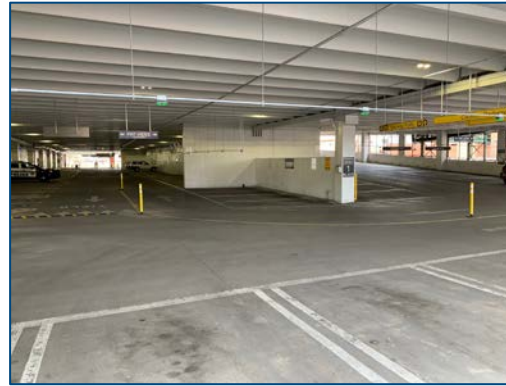
High dependence on violations; General Fund in support of Capital

How are Parking Revenues Spent?

'17, '18, '19 Average Expenses - \$2.9M



Majority of costs are tied to asset management and personnel

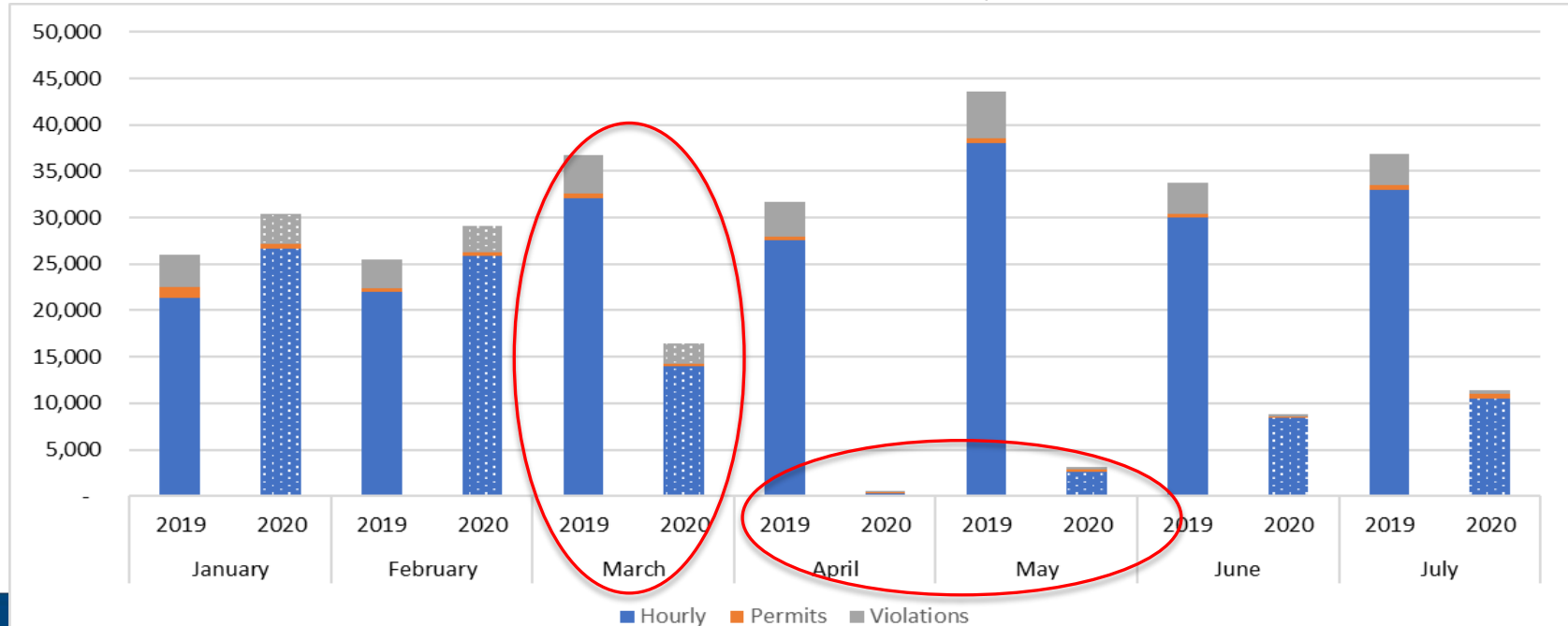


- March 16th – Phased down and then suspended non-safety related parking enforcement
 - Continue patrols of downtown in support of public safety
- April 1st – Emergency Order officially suspending enforcement
 - Patrols of parks and other City facilities for observation

COVID Pandemic Impacts

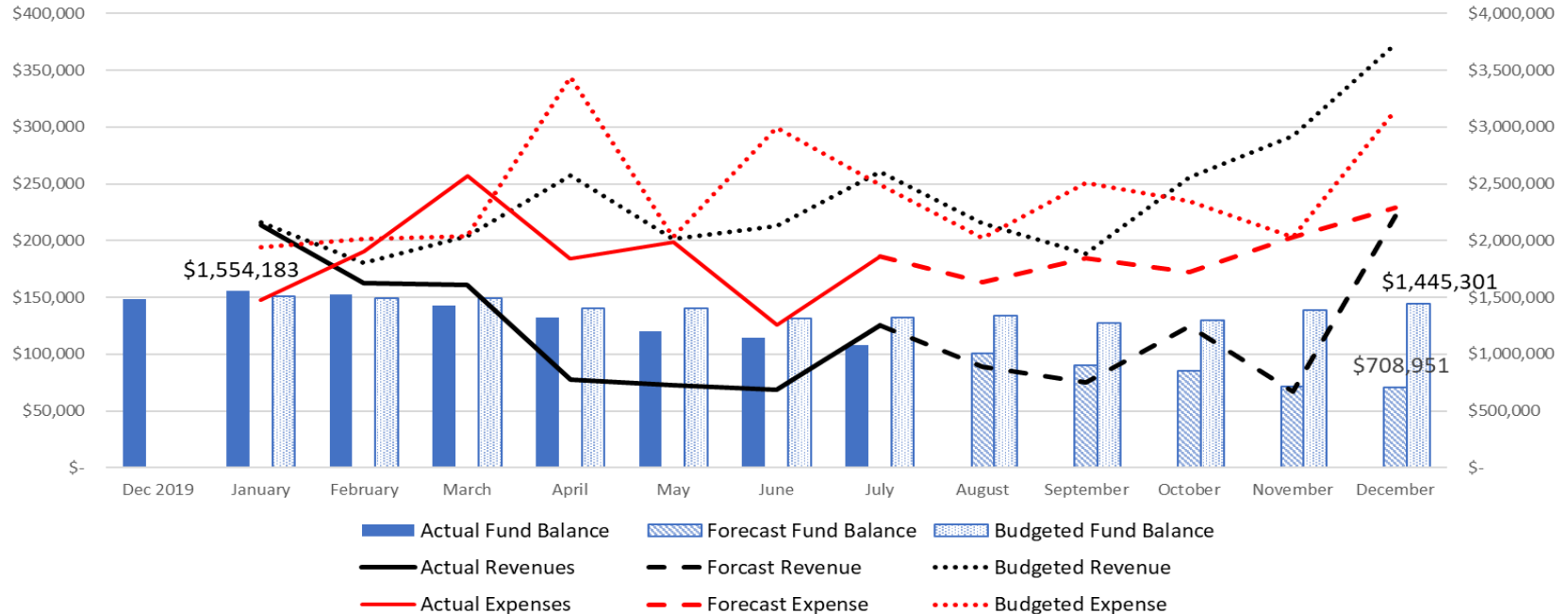
Decrease in Transactions: Citations ↓ 65%; Hourly ↓ 55%; Permits ↓ 54%

Decrease in Revenue: Citations ↓ 45%; Hourly ↓ 61%; Permits ↓ 20%



Parking Fund Forecast

Parking Fund 2020 Forecast



Projected loss of fund balance in 2020: \$845k

Fund balance expected to go to \$0 by end of 2021

What's Next for Parking?

- Enforcement resumed August 3, 2020
 - Close monitoring of RP3 neighborhoods
- Completion of on-street sensor project
- Continuous weekly analysis of revenue/expense/fund balance
- Parking structure major maintenance
 - Civic Center Parking Structure Elevator - \$250k
 - Old Town Parking Structure is beyond design life - \$TBD

1. Parking revenues normally only cover ongoing Operations
2. COVID has greatly impacted revenue/fund balance
3. Policy discussions will occur after data collection and economic recovery

Questions?



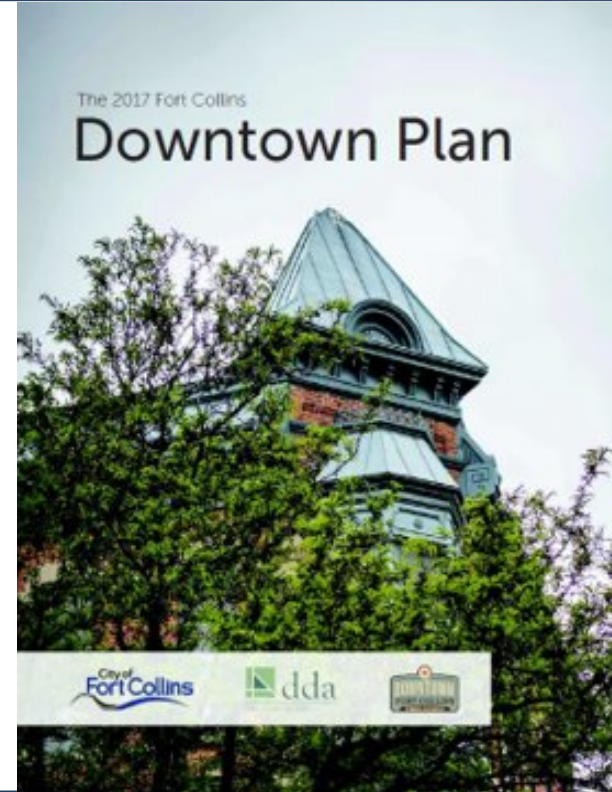
Backup

History & Plan Recommendations

- 1973 Parking meters removed to remove competition with free parking at the new Foothills Fashion Mall
- 1989 Downtown Plan identified:
 - Parking perceived as full
 - Employees park in close proximity to businesses where patrons should be parking, and
 - A need for parking fund to invest in infrastructure



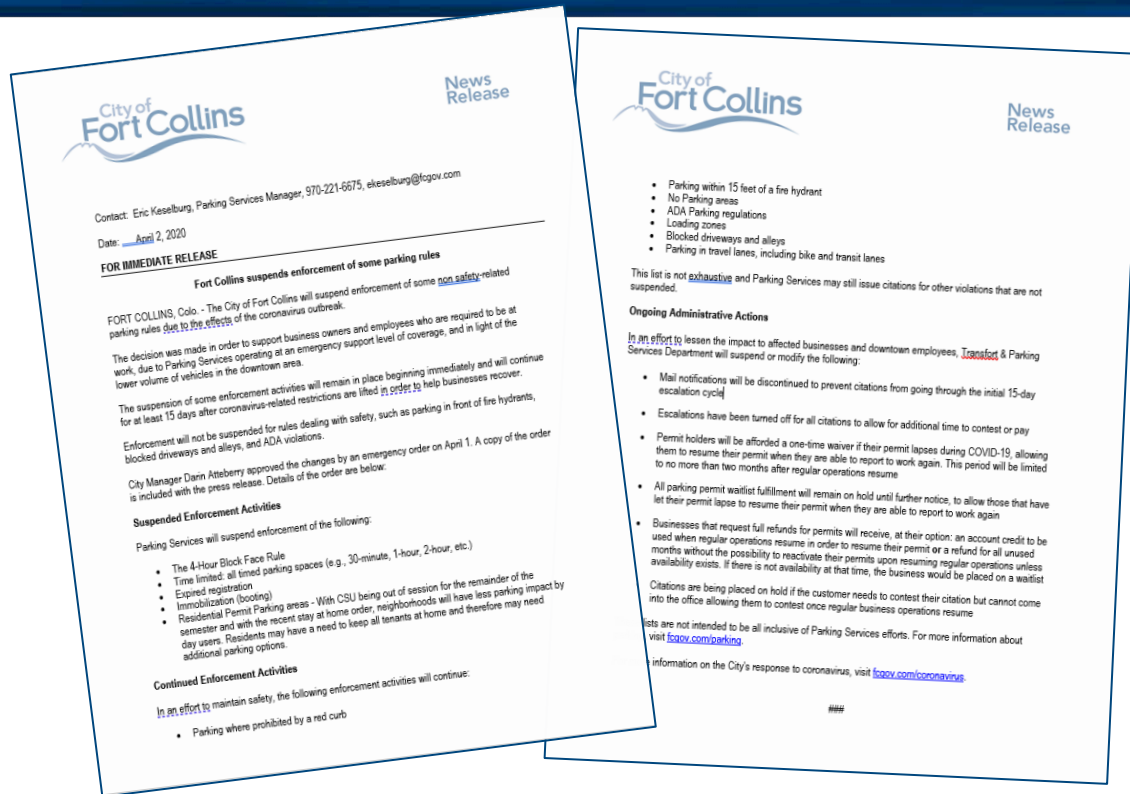
- 2004 *Downtown Strategic Plan* recommended on-street paid parking as the primary strategy to promote parking turnover
- 2013 *Parking Plan* suggests that “parking is a giant unfunded liability”
- 2014, the *Transit-Oriented Development Parking Study* recommended the implementation of on-street paid parking as a solution to manage parking and create a revenue source to invest in new parking infrastructure.
- 2017 *Downtown Plan* adopted policy to "Implement a system to collect parking utilization data on occupancy and turnover, and communicate parking availability to the public.



Inground Parking Sensor sample area (highlighted in orange):

- Initial re-installations occurred mid-March – contractor called away due to COVID-19
- Installation completed June 9th to 11th.
- Verification of accuracy and reliability to occur once final install of equipment complete.





Suspended enforcement:

- Time-limited enforcement
- Expired Registration
- Immobilizing (Booting)
- RP3 permitted areas

Administrative:

- Pause- escalation cycle for citations
- Permit holder- hold/waive lapsed permits
- Pause- permit waitlist

Business as Unusual- Informational Flyer

**BUSINESS AS
UNUSUAL**
DOWNTOWN FORT COLLINS

Whether you are downtown to live, work or play, we appreciate you being here! In order to help our downtown businesses serve more customers and avoid future citations, be sure you park in a place that best fits the duration of your stay.

Did you know? First Three Hours Free.
Parking in the garages is free for your first three hours through September 30th.

TOOLBOX CREATIVE
MADE THIS

See ba
more d

**BUSINESS AS
UNUSUAL**
DOWNTOWN FORT COLLINS

Welcome to Downtown Fort Collins! Please help us support our Downtown businesses by parking in the garages if your stay will be longer than two hours.

City of Fort Collins is offering "Three for Free"
Parking in the garages is free for your first three hours through September 30, and only \$1 per hour after that!

City of
Fort Collins

GARAGES ARE LOCATED AT:

- Civic Center Parking Structure (144 N. Mason, southeast corner of Mason and Laporte)
- Old Town Parking Structure (100 Remington St.)
- Firehouse Alley Parking Structure (160 Chestnut St.)
- All garages are open 24 hours and security patrolled. Payment, if parking more than three hours, can be made 24/7 using automated pay machines or FC Parking mobile app.

PARKING SERVICES

Thank you for your support! For questions go to fcgov.com/parking or call 970-221-6617 and press '0'.

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Blaine Dunn, Interim Accounting Director
Kelley Vodden, Controller
Chris Telli, BKD LLP
Anna Thigpen, BKD LLP

Date: August 17, 2020

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2019 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

BKD will be presenting an overview of the *Report to Council*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2019.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

Otherwise there are no specific questions to be answered as this is a 2019 year-end report.

BACKGROUND/DISCUSSION

In compliance with *Government Auditing Standards*, the City undergoes an independent external audit on an annual basis. BKD finalized its financial statement audit and compliance report on July 31, 2020 and the firm is required to report the results of the audit to those charged with governance.

Attachment 1 to this agenda item contains the full report, and findings of note are summarized below:

Significant Issues Discussed with Management (Attachment 1, page 4):

City management and the audit team discussed the accounting treatment of Fiduciary Activities and how they relate to the adoption of GASB 84. The audit team agreed with how the City presented the Fiduciary Activities.

Other Findings (Attachment 1, pages 6-8):

Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

ATTACHMENTS

1. PowerPoint Presentation
2. Report to the City Council
3. Single Audit Compliance Report
4. Comprehensive Annual Financial Report



BKD
CPAs & Advisors



CITY OF FORT COLLINS

Presentation to the Council Finance and Audit
Committee

Christopher J. Telli, CPA
Anna Thigpen, CPA

BKD
CPAs & Advisors

BKD Participants & Scope



Christopher J. Telli, CPA
Partner



Anna Thigpen, CPA
Senior Manager

Purpose

- Express opinions on the December 31, 2019 financial statements and supplementary information of the City
- 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
- 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 Uniform Guidance
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process. This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for governments.
- This report also provides an overview of areas of audit emphasis, as well as future accounting standards.

Audit Scope and Results

➤ Management Judgement and Accounting Estimates

- Self-insurance reserves (IBNR)
- Net pension liability
- Other postemployment benefits liability
- Fair value of investments
- Allowances for accounts, grants and notes receivable
- Depreciable lives of capital assets

Audit Scope and Results

➤ Financial Statement Disclosures

- Revenue recognition
- Investments
- Long-term debt
- Adoption of new accounting pronouncement

Audit Scope and Results

➤ Audit Adjustments

- Adjustment to reclassify transfer to City from the Fire Authority of approximately \$90,000 to income rather than a transfer in
- Adjustment to record grants receivable of approximately \$120,000
- Adjustment of approximately \$5,800,000 to remove the recognition of capitalized interest related to the Broadband Fund, as GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was early implemented as of 12/31/2018, thus removing the requirement to record capitalized interest

Audit Scope and Results

➤ Proposed Adjustments Not Recorded

- See attached summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole
 - Turn around effect of prior year passed adjustments not recorded
 - Net investment in capital assets – retainage payable

Audit Scope and Results

➤ Accounting Principles

- Adoption of GASB 84, *Fiduciary Activities*
 - Pension and Other Employee Benefit Trust Funds
 - Investment Pool Funds
 - Custodial Funds

Audit Scope and Results

➤ Difficulties Encountered in Performing the Audit

- As a result of the spread of the SARS-CoV-2 virus and the resulting state and citywide stay-at-home orders, it was necessary for all parties to work remotely to perform and complete the audit. This caused management to experience certain reporting difficulties relating to the CAFR preparation process and resulted in delays and inefficiencies in our review of the financial report. This caused the opinion date to be later than it has been historically.



Internal Control Over Financial Reporting

- 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 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.
- We observed the following matters that we consider to be deficiencies.

Internal Control Over Financial Reporting

- Deficiencies: Capitalized Interest
 - The City early implemented GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in 2018 which removed the requirement to record capitalized interest.
 - BKD proposed a journal entry to remove capitalized interest recognized in 2019 in the amount of \$5.8M.

Internal Control Over Financial Reporting

- Deficiencies: Pooled Cash
 - The Light & Power Fund reported a negative balance in pooled cash of approximately \$1.9M. The City ultimately reclassified this negative cash in the Broadband Fund for financial reporting purposes.
 - BKD recommends the City closely evaluate pooled cash at year end and if a negative pooled cash account is present, to appropriately allocate negative pooled cash amongst the funds/entities participating in the pooled cash balance.

Internal Control Over Financial Reporting

- Deficiencies: Grants Receivable:
 - During testing of grants receivable, BKD identified an error and proposed an audit adjustment of \$120,000 for an additional grant accrual
 - BKD recommends that the City consider refining the grants receivable reporting process which may include an identifying account number on the SEFA rollforward which could be used for financial statement preparation to ensure that items are appropriately reported as receivables, deferred inflows of resources, and/or revenue.

Internal Control Over Financial Reporting

- Deficiencies: Net Investment in Capital Assets (NICA)
 - BKD proposed an audit adjustment for the inclusion of retainage payable related to capital assets in the (NICA) calculation for all related funds.
 - Management chose not to record this adjustment based on materiality.
 - BKD recommends that management include retainage in the NICA calculation on a go forward basis.

Internal Control Over Financial Reporting

- Deficiencies: Cash Inflows - Permits
 - There is no formal documentation of review of the monthly reconciliation between Accela and JD Edwards.
 - BKD recommends that this reconciliation be reviewed monthly, and that the review be documented.

Internal Control Over Financial Reporting

- Deficiencies: Information Technology
 - The primary data center door is in the same security group as other doors in the LaPorte Building.
 - The secondary data center is located within five miles of the primary data center. Given their proximity, both data centers could be affected by the same regional events resulting in an extended service outage.
 - The City's secondary/backup co-location data center is managed by a third party. A Service and Organization Controls (SOC) or similar report has not been received and evaluated by the City to verify the effectiveness of physical and environmental controls at the third party.
 - There is not a formal change management policy for in-house application development
 - A formal periodic user access and permission review is not evidenced for the applications listed below. A periodic review provides management with the opportunity to verify ongoing needs, limit potential segregation of duties conflicts, and to remove access for terminated users that were not otherwise caught in the normal termination process. The systems included are as follows: JD Edwards, CIS, Tungsten, MS Govern, Accela, Active Directory (AD)
 - Although, the CIS application appears to have a shared Incident Response Program with other application shareholders, the City does not have an enterprise-wide Incident Response Program to provide uniform guidance on classifying and handling incidents.



Future Pronouncements

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
 - Effective for December 31, 2020
- GASB Statement No. 87, *Leases*
 - Effective for December 31, 2022
- GASB Statement No. 88, *Certain Disclosures Relating to Debt, including Direct Borrowings and Direct Placements*
 - Effective for December 31, 2020
- The effective dates of the pronouncements above, and certain others, have been extended with the approval of GASB Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*



Questions?

BKD
CPAs & Advisors



Thank you!

Christopher J. Telli, CPA // Partner // ctelli@bkd.com // 303.861.4545

Anna Thigpen, CPA // Senior Manager // athigpen@bkd.com // 303.861.4545

BKD
CPAs & Advisors

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

As part of our audits of the financial statements and compliance of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2019, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

An audit performed 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 and U.S. Office of Management and Budget (OMB) *Uniform Guidance* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. The professional services agreement more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The City's significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Modified approach for infrastructure-City streets

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Self-insurance reserves (IBNR)
- Net pension liability
- Other postemployment benefits liability
- Fair value of investments
- Allowances for accounts, grants and notes receivable
- Depreciable lives of capital assets

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Investments

- Long-term debt
- Adoption of new accounting pronouncement

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Adjustment to reclassify transfer to City from the Fire Authority of approximately \$90,000 to income rather than a transfer in
- Adjustment to record grants receivable of approximately \$120,000
- Adjustment of approximately \$5,800,000 to remove the recognition of capitalized interest related to the Broadband Fund, as GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* was early implemented as of December 31, 2018, thus removing the requirement to record capitalized interest

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole

Auditor's Judgments About the Quality of the City's Accounting Principles

During the course of the audit, we made the following observations regarding the City's application of accounting principles:

- Adoption of GASB 84, *Fiduciary Activities*

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Adoption of GASB 84, *Fiduciary Activities*

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- As a result of the spread of the SARS-CoV-2 virus and the resulting state and citywide stay-at-home orders, it was necessary for all parties to work remotely to perform and complete the audit. This caused management to experience certain reporting difficulties relating to the CAFR preparation process and resulted in delays and inefficiencies in our review of the financial report. This caused the opinion date to be later than it has been historically.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2019, 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, 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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.

We observed the following matters that we consider to be deficiencies.

Capitalized Interest

The City early implemented GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in 2018, thus removing the need to record capitalized interest. During testing of capital assets, BKD identified capitalized interest in the Broadband Fund which was included as an addition to capital assets in 2019. BKD proposed a journal entry to remove capitalized interest in the amount of \$5.8M. Due to delays in the year-end close, audit workpapers were provided prior to all closing journal entries being recorded, which likely contributed to this error not being identified internally.

Pooled Cash

The Broadband Fund ended the year with a negative balance in pooled cash of approximately \$5.1M. For financial reporting purposes, this fund is reported with the Light & Power Fund, which resulted in a combined negative balance in pooled cash of approximately \$1.9M. The City ultimately reclassified this negative cash in the Broadband Fund for financial reporting purposes. BKD recommends the City closely evaluate pooled cash at year-end and if a negative pooled cash account is present, to appropriately allocate negative pooled cash amongst the funds/entities participating in the pooled cash balance.

Grants Receivable

During testing of grants receivable and the related Schedule of Expenditures of Federal Awards (SEFA) rollforward, BKD noted that the process to agree ending balances to the trial balance requires staff to identify the account and fund where each line item is recorded and this process appears to be done manually. In addition, BKD identified an error and proposed an audit adjustment of \$120,000 for an additional grant accrual. BKD recommends that the City consider refining the grants receivable reporting process which may include an identifying account number on the SEFA rollforward which could be used for financial statement preparation to ensure that items are appropriately reported as receivables, deferred inflows of resources, and/or revenue.

Net Investment in Capital Assets

Retainage payable as it relates to capital assets should be included in the net investment in capital assets (NICA) calculation for all related funds. As in the prior year, an audit adjustment was proposed to correct the NICA calculation. Management chose not to record this adjustment based on materiality.

Cash Inflows – Permits

A monthly reconciliation between Accela, the permit software and JD Edwards, the accounting software, is prepared. However there is no formal documentation of review of this reconciliation. BKD recommends that this reconciliation be reviewed monthly, and that the review be documented.

Information Technology

- The primary data center door is in the same security group as other doors in the LaPorte Building. The data center door should be segregated into its own security group to limit access to the primary data center to only necessary IT personnel.
- The secondary data center is located within five miles of the primary data center. Given their proximity, both data centers could be affected by the same regional events resulting in an extended service outage.

- The City's secondary/backup co-location data center is managed by a third party. A Service and Organization Controls (SOC) or similar report has not been received and evaluated by the City to verify the effectiveness of physical and environmental controls at the third party.
- There is not a formal change management policy for in-house application development. A formal change management policy provides a uniform process that aides in preventing unauthorized or untested changes, updates, or patches being applied to production systems. These changes could result in the damage or loss of data, inaccurate reports, and/or malfunctioning systems.
- A formal periodic user access and permission review is not evidenced for the applications listed below. A periodic review provides management with the opportunity to verify ongoing needs, limit potential segregation of duties conflicts, and to remove access for terminated users that were not otherwise caught in the normal termination process. The systems included are as follows:
 - JD Edwards
 - CIS
 - Tungsten
 - MS Govern
 - Accela
 - Active Directory (AD)
- Although, the CIS application appears to have a shared Incident Response Program with other application shareholders, the City does not have an enterprise-wide Incident Response Program to provide uniform guidance on classifying and handling incidents.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these

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matters further at your convenience and may provide implementation assistance for changes or improvements.

COVID-19 Resource Center

BKD has created a new resource center to help disseminate important tax and accounting information for our clients and friends as we evaluate ways to mitigate the inevitable financial effects of the SARS- CoV-2 virus and the incidence of COVID-19 (COVID-19). Some of the information included in the COVID-19 Resource Center is as follows:

- Small Business Administration loans, payroll tax credits and general business planning considerations
- Business continuity
- Cash flow projections and business planning
- Security and agility for a remote work environment
- CARES Act relief for state and local governments
- Tax considerations surrounding COVID-19
- Protect your organization with cyber hygiene tips

We encourage you to review these resources, which are available at [https://www.bkd.com/covid-19-resource-center?industry\[3856\]=3856](https://www.bkd.com/covid-19-resource-center?industry[3856]=3856)

Other Funding Considerations

The City may be awarded additional funding such as additional grants and/or contributions which may require additional requirements and considerations. We recommend management analyze each funding award both separately for its unique terms and conditions as well as in the aggregate to manage cash flow and overall compliance. Further, the City may wish to communicate to insurance providers and others (*e.g.*, FEMA) that the spread of the SARS-CoV-2 virus and the incidence of COVID-19 has had significant impacts on the City for which it may at a future date pursue certain claims.

Reference Rate Reform

The London Interbank Offered Rate (LIBOR), which began its daily publication in 1986, represents the average of the estimated interest rates that a high-quality London bank would be charged to borrow from other leading banks. It quickly evolved into the world's primary benchmark for short-term interest rates. In 2012, the rate submission process was corrupted by member banks manipulating rates for their own profit, and post-financial crisis regulation has significantly reduced the transaction volume upon which banks base their LIBOR submissions. In fact, it is expected that a number of banks currently reporting information used to set LIBOR will stop doing so after 2021.

In 2014, the Federal Reserve established the Alternative Reference Rates Committee (ARRC), which is tasked, among other matters, with identifying a risk-free alternative reference rate (ARR) for USD LIBOR, and in 2017, ARRC identified the Secured Overnight Financing Rate (SOFR), which is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, as its preferred alternative rate for USD LIBOR.

Management should begin the process of identifying existing contracts that extend past 2021 to determine their LIBOR exposure. Many legacy contracts have interest rate provisions referencing LIBOR that, when drafted, did not contemplate the permanent discontinuation of LIBOR and, as a result, there may be uncertainty or disagreement over how the contracts should be interpreted.

Future Accounting Pronouncements

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*

In response to the challenges arising from COVID-19, on May 7, 2020 GASB approved Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB approved an 18 month postponement for Statement 87, *Leases*. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later have a one-year postponement. This change is effective immediately. Early application is still encouraged.

GASB Statement No. 83 – 2020 Effective Date

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83): GASB 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. Examples could be costs associated with decommissioning

a nuclear power plant or disposal of x-ray machine. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event (such as a legally binding contract or a court judgment) and an internal obligating event (such as placing a tangible capital asset into service). A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred. Additional note disclosures are required. GASB 83 is effective for financial statements for fiscal years beginning after June 15, 2019. Earlier application is encouraged.

GASB Statement No. 87 – 2022 Effective Date

GASB Statement No. 87, *Leases* (GASB 87): GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

GASB Statement No. 88 – 2020 Effective Date

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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GASB 88 is effective for financial statements for fiscal years beginning after June 15, 2019, with earlier application encouraged.

GASB Statement No. 90 – 2022 Effective Date

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB 90). An equity interest is a financial interest in a legally separate organization evidenced by ownership of shares of the organizations stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. This statement modifies guidance for reporting a government's majority equity interest in a legally separate organization and will require organizations to re-evaluate any arrangements presently reported as a joint venture.

GASB 90 is effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 91 – 2021 Effective Date

GASB Statement No. 91, *Conduit Debt Obligations*. This statement clarifies the existing definition of a conduit debt obligation, establishes a single method of reporting for issuers, and enhances note disclosures. This Statement is effective for financial statements for fiscal years beginning after December 15, 2020.

GASB Statement No. 92 – 2020 Effective Date

GASB Statement No. 92, *Omnibus*. GASB periodically updates its authoritative guidance for practice issues and technical inconsistencies identified during application and implementation of GASB statements. This release includes updates on leases and fiduciary activities. This Statement is effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 97 – 2022 Effective Date

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Section 457 plans should be classified as either a pension plan or other employee benefit plan, depending on whether the plan meets the definition of a pension plan. Accounting and financial reporting requirements for 457 plans that meet the definition of a pension plan are defined and investment valuation requirements for all 457 plans are modified. Statement 97 limits the application of the

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financial burden criterion regarding contributions to postemployment benefit plans to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts. This will reduce costs of reporting of certain defined contribution pension plans as fiduciary component units. This supersedes previous guidance in Statement 84 and Implementation Guide 2019-2. The accounting and reporting changes are effective for fiscal years beginning after June 15, 2021. Changes to the component unit assessment are effective for reporting periods beginning after June 15, 2021.

* * * * *

This communication is intended solely for the information and use of management, City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

July 31, 2020

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Governmental Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	1,274,383,229		1,274,383,229	
Total Liabilities & Deferred Inflows	(145,575,509)		(145,575,509)	
Total Net Position	(1,128,807,720)		(1,128,807,720)	
General Revenues & Transfers	(221,443,893)		(221,443,893)	
Net Program Revenues/ Expenses	192,104,575		192,104,575	
Change in Net Position	(29,339,318)		(29,339,318)	

Verify Debits and Credits have been entered correctly on the Menu-GA Tab

		Factual (F), Judgmental (J) or Projected (P)					General Revenues & Transfers		net Program Revenues/ Expenses		Net Position		Net Effect on Following Year			
Description	Financial Statement Line Item		Assets		Liabilities								Change in Net Position		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F		0		0		0		0		0		0		0
	Net investment in capital assets											1,764,366				
	Unrestricted net position											(1,764,366)				
Total passed adjustments				0		0		0		0		0		0		0
Impact on Change in Net Position											0					
Impact on Net Position											0					

City of Fort Collins

ATTACHMENT

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Discretely Presented Component Units (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	19,314,410		19,314,410	
Total Liabilities & Deferred Inflows	(13,701,600)		(13,701,600)	
Total Net Position	(5,612,810)		(5,612,810)	
General Revenues & Transfers	(6,899,708)		(6,899,708)	
Net Program Revenues/ Expenses	2,902,363		2,902,363	
Change in Net Position	(3,997,345)		(3,997,345)	

Verify Debits and Credits have been entered correctly on the Menu-GA Tab

Client: City of Fort Collins
Period Ending: December 31, 2019

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

												Net Effect on Following Year				
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets		Liabilities		General Revenues & Transfers		net Program Revenues/ Expenses		Net Position		Change in Net Position		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F		0		0		0		0		0		0		0
	Net investment in capital assets										17,523					
	Unrestricted net position										(17,523)					
Total passed adjustments			0		0		0		0		0		0		0	
Impact on Change in Net Position											0					
Impact on Net Position											0					

City of Fort Collins

ATTACHMENT

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Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	1,079,136,125		1,079,136,125	
Total Liabilities & Deferred Inflows	(210,000,912)		(210,000,912)	
Total Net Position	(869,135,213)		(869,135,213)	
General Revenues & Transfers	(8,851,993)		(8,851,993)	
Net Program Revenues/ Expenses	(8,937,713)		(8,937,713)	
Change in Net Position	(17,789,706)		(17,789,706)	

Verify Debits and Credits have been entered correctly on the Menu-GA Tab

Client: City of Fort Collins
Period Ending: December 31, 2019

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Factual (F), Judgmental (J) or Projected (P)	Assets		Liabilities		General Revenues & Transfers		net Program Revenues/ Expenses		Net Position		Net Effect on Following Year			
Description	Financial Statement Line Item		DR (CR)		DR (CR)		DR (CR)		DR (CR)		DR (CR)		Change in Net Position		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Line not used			0		0		0		0		0		0		0	
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F	0		0		0		0		0		0		0	
	Net investment in capital assets											2,151,279				
	Unrestricted net position											(2,151,279)				
Total passed adjustments			0		0		0		0		0		0		0	
													Impact on Change in Net Position			
													Impact on Net Position			

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Aggregate Remaining Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	283,607,470		283,607,470	
Total Liabilities & Deferred Inflows	(34,556,722)		(34,556,722)	
Total Fund Balance	(249,050,748)		(249,050,748)	
Revenues	(20,652,711)		(20,652,711)	
Expenditures	170,398,766	(206,994)	170,191,772	-0.12%
Change in Fund Balance	(18,231,586)	(206,994)	(18,438,580)	1.14%

Client: City of Fort Collins
Period Ending: December 31, 2019

Aggregate Remaining Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

														Net Effect on Following Year			
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred		Liabilities &		Revenues		Expenditures		Fund Balance		Change in Fund		Fund		
			Outflows		Deferred Inflows								Balance		Balance		
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	
PY Turnaround effect - To write off unreconciled amount in the credit card clearing account		F	0	0	0	(81,500)	81,500	0				0					
	Fund Balance						81,500										
	Expense					(81,500)											
PY Turnaround effect - To write off the unreconciled amount in the Customer AR Account		F	0	0	0	(125,494)	125,494	0				0					
	Fund Balance						125,494										
	Expense					(125,494)											
Total passed adjustments			0	0	0	(206,994)	206,994	0				0					
Impact on Change in Fund Balance:											(206,994)						
Impact on Fund Balance											0						

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

General Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	107,395,769		107,395,769	
Total Liabilities & Deferred Inflows	(34,919,804)		(34,919,804)	
Total Fund Balance	(72,475,965)		(72,475,965)	
Revenues	(152,256,979)		(152,256,979)	
Expenditures	133,777,182	(666,312)	133,110,870	-0.50%
Change in Fund Balance	(5,420,433)	(666,312)	(6,086,745)	12.29%

Client: City of Fort Collins
Period Ending: December 31, 2019

General Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

													Net Effect on Following Year				
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred		Liabilities &		Revenues		Expenditures		Fund Balance		Change in Fund		Fund		
			Outflows		Deferred Inflows								Balance		Balance		
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	
PY PAJE turnaround effect of adjustment to developer escrows to the more conservative tracking spreadsheet amount		F		0		0		0		(666,312)		666,312		0		0	
	Fund Balance											666,312					
	Expense									(666,312)							
Total passed adjustments				0		0		0		(666,312)		666,312		0		0	
Impact on Change in Fund Balance:												(666,312)					
Impact on Fund Balance												0					

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Light and Power (Broadband)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	49,411,145		49,411,145	
Non-Current Assets & Deferred Outflows	316,845,191		316,845,191	
Current Liabilities	(16,786,257)		(16,786,257)	
Non-Current Liabilities & Deferred Inflows	(143,623,459)		(143,623,459)	
Current Ratio	2.944		2.944	
Total Assets & Deferred Outflows	366,256,336		366,256,336	
Total Liabilities & Deferred Inflows	(160,409,716)		(160,409,716)	
Total Net Position	(205,846,620)		(205,846,620)	
Operating Revenues	(136,967,822)		(136,967,822)	
Operating Expenses	139,410,672		139,410,672	
Nonoperating (Revenues) Exp	573,397		573,397	
Change in Net Position	18,587		18,587	

			Assets & Deferred Outflows				Liabilities & Deferred Inflows								Net Effect on Following Year											
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues		Operating Expenses		Nonoperating (Revenues) Exp		Net Position		Change in Net Position		Net Position					
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)				
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F	0		0		0		0		0		0		0		0		0		0					
	Net investment in capital assets																1,354,201									
	Unrestricted net position																(1,354,201)									
Total passed adjustments			0				0				0				0				0				0			
			</																							

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Storm Drainage

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	26,424,727		26,424,727	
Non-Current Assets & Deferred Outflows	133,153,888		133,153,888	
Current Liabilities	(4,803,013)		(4,803,013)	
Non-Current Liabilities & Deferred Inflows	(2,643,384)		(2,643,384)	
Current Ratio	5.502		5.502	
Total Assets & Deferred Outflows	159,578,615		159,578,615	
Total Liabilities & Deferred Inflows	(7,446,397)		(7,446,397)	
Total Net Position	(152,132,218)		(152,132,218)	
Operating Revenues	(17,489,736)		(17,489,736)	
Operating Expenses	9,965,204		9,965,204	
Nonoperating (Revenues) Exp	(479,499)		(479,499)	
Change in Net Position	(8,302,886)		(8,302,886)	

Storm Drainage
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Assets & Deferred Outflows				Liabilities & Deferred Inflows				Net Effect on Following Year								
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues	Operating Expenses	Nonoperating (Revenues) Exp	Net Position	Change in Net Position		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F	0	0	0	0					0	0	0	0	0	0	0	
	Net investment in capital assets													222,640				
	Unrestricted net position													(222,640)				
Total passed adjustments			0000				0000				0000				0000			
Impact on Change in Net Position															0			
Impact on Net Position															0			

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Water

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	86,347,038		86,347,038	
Non-Current Assets & Deferred Outflows	259,923,781		259,923,781	
Current Liabilities	(10,418,047)		(10,418,047)	
Non-Current Liabilities & Deferred Inflows	(2,920,693)		(2,920,693)	
Current Ratio	8.288		8.288	
Total Assets & Deferred Outflows	346,270,819		346,270,819	
Total Liabilities & Deferred Inflows	(13,338,740)		(13,338,740)	
Total Net Position	(332,932,079)		(332,932,079)	
Operating Revenues	(31,969,152)		(31,969,152)	
Operating Expenses	30,702,070		30,702,070	
Nonoperating (Revenues) Exp	2,455,037		2,455,037	
Change in Net Position	(5,781,495)		(5,781,495)	

			Assets & Deferred Outflows				Liabilities & Deferred Inflows								Net Effect on Following Year											
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues		Operating Expenses		Nonoperating (Revenues) Exp		Net Position		Change in Net Position		Net Position					
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)				
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F	0		0		0		0		0		0		0		0		0		0					
	Net investment in capital assets																319,579									
	Unrestricted net position																(319,579)									
Total passed adjustments			0000								0000								00							
																	Impact on Change in Net Position		0							
																	Impact on Net Position		0							

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Wastewater

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	49,534,729		49,534,729	
Non-Current Assets & Deferred Outflows	164,852,247		164,852,247	
Current Liabilities	(4,202,094)		(4,202,094)	
Non-Current Liabilities & Deferred Inflows	(20,086,687)		(20,086,687)	
Current Ratio	11.788		11.788	
Total Assets & Deferred Outflows	214,386,976		214,386,976	
Total Liabilities & Deferred Inflows	(24,288,781)		(24,288,781)	
Total Net Position	(190,098,195)		(190,098,195)	
Operating Revenues	(24,056,457)		(24,056,457)	
Operating Expenses	19,516,869		19,516,869	
Nonoperating (Revenues) Exp	817,119		817,119	
Change in Net Position	(5,597,727)		(5,597,727)	

			Assets & Deferred Outflows				Liabilities & Deferred Inflows								Net Effect on Following Year											
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues		Operating Expenses		Nonoperating (Revenues) Exp		Net Position		Change in Net Position		Net Position					
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)				
To adjust the net investment in capital assets component of net position for the inclusion of retainage		F	0		0		0		0		0		0		0		0		0		0					
	Net investment in capital assets																254,859									
	Unrestricted net position																(254,859)									
Total passed adjustments			0000								0000								0000							
																	Impact on Change in Net Position		0							
																	Impact on Net Position		0							



Travis Storin
Interim Chief Financial Officer
City of Fort Collins
215 N. Mason St.
Fort Collins, CO 80522
970.416.2367
fcgov.com

July 31, 2020

BKD, LLP
Certified Public Accountants
1801 California Street, Suite 2900
Denver, Colorado 80202

We are providing this letter in connection with your audits of our financial statements as of and for the years ended December 31, 2019 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended December 31, 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated January 17, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.



4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There are no other known matters that require correction in the financial statements.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.



10. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you the identity of the City's related governmental and non-governmental entities (i.e., Fort Collins Urban Renewal Authority, Fort Collins Downtown Development Authority, the Poudre Fire Authority, the Poudre River Public Library District, and Fort Collins Capital Leasing Corporation) and transactions between the City and them of which we are aware. These relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term "related governmental and non-governmental entities" refers to those entities that the City can significantly influence, directly or indirectly control.
13. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the City is contingently liable.
14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
15. We have no reason to believe the City owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and



Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
17. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Purchase commitments in excess of normal requirements or above prevailing market prices.
18. Except as disclosed in the financial statements, we have:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
19. Except as has been previously disclosed to BKD, LLP, by the City involving an environmental issue concerning a solid-waste facility the City co-owns with other local governments, The City has not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
20. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
21. With regard to deposit and investment activities:
 - (a) All deposits and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.



- (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
- 22. With respect to any nonattest services you have provided us during the year, including the drafting of the schedule of expenditures of federal awards:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
- 23. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
- 24. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- 25. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- 26. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
- 27. We have a process to track the status of audit findings and recommendations.
- 28. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
- 29. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion



in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

30. With regard to federal awards programs:

- (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
- (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
- (c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
- (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the City has complied with all applicable compliance requirements.
- (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.
- (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.



- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
- (k) We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.
- (l) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.
- (m) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
- (n) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
- (o) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
- (p) Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any



disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.

- (q) We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.
 - (r) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
 - (s) The reporting package does not contain any protected personally identifiable information.
31. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
32. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
33. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, modified approach to infrastructure, and pension and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.



34. With regard to supplementary information:
- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
35. We acknowledge the current economic volatility presents difficult circumstances and challenges for Government entities. Governmental Entities are facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, net realizable value of inventory, etc. that could negatively impact the City's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the City's financial statements. Further, management and the Board are solely responsible for all aspects of managing the City, including questioning the quality and valuation of investments, inventory and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.
36. As a local government, the City, and its officials, are often the target of criticism by citizens and others and these criticisms sometimes include accusations of fraud and other wrongdoing by the City and its officials. So, while it is likely there may be such accusations in the recent past, we are not aware of any that have been or are likely to be substantiated.



DocuSigned by:

A handwritten signature in blue ink, appearing to read "Darin Atteberry".

D335687442064BF...
Darin Atteberry, City Manager

DocuSigned by:

A handwritten signature in blue ink, appearing to read "Travis Storin".

B5F25275E0564FE...
Travis Storin, Interim Chief Financial
Officer

DocuSigned by:

A handwritten signature in blue ink, appearing to read "Blaine Dunn".

66320418B03B47C...
Blaine Dunn, Interim Accounting Director

DocuSigned by:

A handwritten signature in blue ink, appearing to read "Kelley Vodden".

FC9D749EFB1E404...
Kelley Vodden, Controller

City of Fort Collins

Single Audit Report

Year Ended December 31, 2019

City of Fort Collins
December 31, 2019

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City of Fort Collins

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

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 2018 / 2019	Direct	N/A	B-18-MC-08-0008	14.218	\$ 255,272	\$ 373,796
Grant Year 2019 / 2020	Direct	N/A	B-19-MC-08-0008	14.218	-	35,888
Total CDBG Entitlement Grants Cluster					<u>255,272</u>	<u>409,684</u>
Home Investment Partnerships Program						
Grant Year 2017 / 2018	Direct	N/A	M-17-MC-08-0209	14.239	15,000	15,000
Grant Year 2018 / 2019	Direct	N/A	M-18-MC-08-0209	14.239	525,344	585,695
Grant Year 2019 / 2020	Direct	N/A	M-19-MC-08-0209	14.239	-	25,348
Subtotal					<u>540,344</u>	<u>626,043</u>
Total Department of Housing and Urban Development					<u>795,616</u>	<u>1,035,727</u>
Department of Justice						
Equitable Sharing Program	Direct	N/A	15-5042-0-2-752	16.922	-	6,268
Total Department of Justice					<u>-</u>	<u>6,268</u>
Department of Transportation						
Highway Planning and Construction (Federal-Aid Highway Program) Cluster						
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	ACQ M455-088 (16525)	20.205	-	168,605
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M455-111 (19561)	20.205	-	691,793
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	PO 411016330	20.205	-	613
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	14-HTD-72849	20.205	-	167,760
Total Highway Planning and Construction Cluster					<u>-</u>	<u>1,028,771</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

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 Cluster						
Federal Transit_Capital Investment Grants	Direct	N/A	CO-03-0206-01	20.500	-	27,508
Federal Transit_Formula Grants	Direct	N/A	CO-2018-001-00	20.507	-	4,775
Federal Transit_Formula Grants	Direct	N/A	CO-2018-017-00	20.507	-	491,498
Federal Transit_Formula Grants	Direct	N/A	CO-2019-027-00	20.507	-	4,305,765
Federal Transit_Formula Grants	Direct	N/A	1138-2020-4	20.507	-	1,439,714
Federal Transit_Formula Grants	Direct	N/A	CO-2019-003-00	20.507	-	229,611
Federal Transit_Formula Grants	Direct	N/A	CO-2019-001-00	20.507	-	3,189,000
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2018-002-00	20.526	-	287,530
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2019-009-00	20.526	-	62,092
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2019-020-00	20.526	-	3,536
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2020-013-00	20.526	-	159,387
Total Federal Transit Cluster					-	<u>10,200,416</u>
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals With Disabilities	Direct	N/A	CO-2017-025-00	20.513	-	16,805
Enhanced Mobility of Seniors and Individuals With Disabilities	Direct	N/A	CO-2018-016-00	20.513	-	7,245
Enhanced Mobility of Seniors and Individuals With Disabilities	Direct	N/A	CO-2019-005-00	20.513	-	178,923
Total Transit Services Programs Cluster					-	<u>202,973</u>
Highway Safety Cluster						
National Priority Safety Programs	Pass-Through	Colorado Department of Transportation	19-NHTSA405B.6102 PO 411019717	20.616	-	5,207
Total Highway Safety Cluster					-	<u>5,207</u>
Total Department of Transportation					-	<u>11,437,367</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2019

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						
Performance Partnership Grants	Pass-Through	CO Dept. of Public Health and Environment	PO FAAA 201800005049	66.605	-	14,185
Brownfields Assessment and Cleanup Cooperative Agreements	Direct	N/A	96806101	66.818	-	144,535
Total Environmental Protection Agency					-	158,720
Department of Energy						
State Energy Program	Pass-Through	Colorado Energy Office	CTGG119-2009	81.041	-	193,858
Total Department of Energy					-	193,858
Federal Emergency Management Agency (FEMA)						
Emergency Management Performance Grants	Pass-Through	CO Dept. of Public Safety Division of Homeland Security and Emergency Management	19EM-20-66	97.042	-	65,000
Emergency Management Performance Grants	Pass-Through	CO Dept. of Public Safety Division of Homeland Security and Emergency Management	18EM-19-82	97.042	-	10,000
Total FEMA					-	75,000
Total Expenditures of Federal Awards					\$ 795,616	\$ 12,906,940

City of Fort Collins
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fort Collins (the City) under programs of the federal government for the year ended December 31, 2019. 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.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 has 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 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, 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 July 31, 2020 which contained an emphasis of matter paragraph regarding a change in accounting principle.

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. 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.

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 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
July 31, 2020

**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, 2019. 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, 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 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, 2019 and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated July 31, 2020 which contained unmodified opinions on those financial statements and an emphasis-of-matter paragraph regarding a change in accounting principle. 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
August 6, 2020

City of Fort Collins
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

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:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

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
20.205	Highway Planning and Construction Cluster
20.500, 20.526, 20.507	Federal Transit Administration Cluster

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

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, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
<hr/>	
No matters are reportable.	

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2019

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, 2019

Reference Number	Summary of Finding	Status
2018-001	<p>Finding: Accounting for Capital Assets</p> <p>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 and a second time when those same costs were transferred to the capital projects fund.</p> <p>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.</p>	Implemented