

Council Finance Committee & URA Finance Committee
Agenda Planning Calendar 2016
RVSD 07/06 mnb

July 18			
	2015 Audit Review	20 min	K. Smith
	Compensation Philosophy & Market Pricing	15 min	J. Heckman B. Wilkerson
	Benefits - Historical Forecast Accuracy & Possible Plan Changes	45 min	K. Hess T. Storin
	Colorado Care Ballot Initiative	30 min	R. Shannon
URA			

Aug 15			
	Natural Areas – Financial Review	40 min	J. Stokes
	Capital Expansion Fee Update	30 min	T. Smith
	Energy Efficiency Financing – Off Balance Sheet	30 min	J. Voss J. Phelan
	Foundation Creation	20 min	N. Johnson
URA			

Sep 19			
	Utility Rate Structures	45 min	L. Smith
	Building Cost Impact Stack	30 min	L. Kadrich M. Beckstead
	2015 Year End Financial Summary	30 min	T. Storin
URA			

Oct 17			
	Revenue Diversification Outreach Update	30 min	T. Smith
URA			

Future Council Finance Committee Topics:
Parking Garage Financing – QII 2017
Sales Tax Code Updates – November

Future URA Committee Topics:



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AGENDA
Council Finance & Audit Committee
July 18, 2016
9:30 - 11:30 am
CIC Room - City Hall

Approval of the Minutes from the June 20, 2016 meeting

- | | | |
|--|------------|----------------------------|
| 1. 2015 Audit Review | 20 minutes | K. Smith |
| 2. Compensation Philosophy & Market Pricing | 15 minutes | J. Heckman
B. Wilkerson |
| 3. Benefits - Historical Forecast Accuracy & Possible Plan Changes | 45 minutes | K. Hess
T. Storin |
| 4. Colorado Care Ballot Initiative | 30 minutes | R. Shannon |

OTHER BUSINESS



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Council Audit & Finance Committee
Minutes
06/20/16
9:30 - 11:30 am
CIC Room

Council Attendees: Mayor Wade Troxell, Gerry Horak, Ross Cunniff

Staff: Darin Atteberry via phone, Jeff Mihelich, Mike Beckstead, Kelly DiMartino, Janet Miller, Rick Richter, Dean Klingner, Matt Baker, Kevin Gertig, Lance Smith, John Voss, Greg Jensen, Carolyn Koontz

Others: Dale Adams, Jason Licon, Airport Director, Duane Guthrie, Consultant Kevin Jones, Natasha Rehak and Arielle Gallegos (CSU grad students)

Meeting started at 9:30 am

APPROVAL OF MINUTES

Mayor Troxell made a motion to approve the June 1, 2016 Council Finance Committee minutes. Gerry Horak made a second to the motion. The minutes were approved unanimously.

A. Hourly Employee Administrative Adjustment

Kelly DiMartino, Assistant City Manager
Janet Miller, Assistant HR Director

EXECUTIVE SUMMARY

As part of the 2017-2018 budget planning process, the City's HR department is proposing a change to move 156 current hourly positions to classified jobs. The estimated cost is \$2.5M. These positions have been identified as resources essential for meeting ongoing service needs. This proposal is responsive to recent changes associated with federal healthcare reform, a need to better align employment categories to avoid legal pitfalls, increasing competition for skilled workers and a desire to position the City to attract and retain talent.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE

The purpose is to inform Councilmembers of the proposal prior to finalizing the recommended budget and address Council questions.

11% current turnover - first time for the city to be in double digits
202 full time hourly (over 30 hours) employees as of May 2016 (8.5% of workforce)



City is required by law to provide this group with health insurance except for full time seasonal employees.

Administrative Adjustment - 156 positions - \$2.5m one time - \$1.5m salary and \$850k in benefits. Goal would be to eliminate the full time hourly classification (except seasonal resources).

Kelly DiMartino commented; Hourly work force was more affordable - positions were put in place before the health care reform came into play. There was a very clear distinction (hourly employees did not receive any benefits) now there is less distinction. We have folks in the same jobs - one gets full benefits and one does not.

Ross Cunniff asked; why this shouldn't be viewed as giving a \$10k raise to 156 employees. Kelly DiMartino responded; this is about the position not the person. When a position is moved to classified we would go through a competitive recruitment process.

Ross Cunniff asked; what data do we have regarding turnover rates that show folks are leaving? We need to see more data including turnover rates and distribution of salary. Janet Miller answered; some of the data is challenging to get because the position is what we asked managers to identify. We don't have an FTE attached to track as the hourly positions were funded and categorized differently. For hourly employees, a service could be provided by 2 half time resources. Kelly – There is a position ID attached to a classified FTE role which goes through the budget process, however we do not have the same position ID structure for hourly positions. Turnover is not tracked by person for hourly roles so we have a challenge in getting hard numbers.

Mayor Troxell asked; who is hiring our people off of the ball fields? Janet Miller responded - Folks from other communities and Poudre School District. They are being hired into jobs that are classified (full benefits, retirement, leave etc.)

Mayor Troxell asked; are you looking at any other options such as outsourcing? Janet Miller responded; we have talked about this but the organizations who would be potential providers are facing the same challenges we are. The costs that they have looked at would be higher.

Ross Cunniff commented; based on some metrics if we were unable to hire for some period of time then that particular position could get converted to Classified. If no incumbent - rather than doing this in one big chunk, we should make the program about turnover of positions not about a blanket change.

Gerry Horak commented; I can't support this right now. There is not enough data, analysis.

Mike Beckstead commented; the improvement on this is the controls and hiring process and not having a 2 tier labor system for the same role. How we recruit and retain folks. All roles changing from hourly to classified would go through a modified recruitment process.

Gerry Horak added that this was initiated by management not council. CFC's job is to look at outcomes.

Darin Atteberry added; That is an easy argument to make operationally and management wise. We have saved the city millions of dollars over the years by using this approach. The law changed and the market tightened. The folks we have on the staff are doing phenomenal work. The game has changed and this tool was taken away from us. We are not able to use this tool as effectively as we could in the past - managers are doing everything they can to deliver the services.

Gerry Horak commented; some of the options are contracting out or other things. We have not been presented with the evidence to say yes. No alternatives or real analysis of how we got to this spot – or what the great savings have been. We need the back story.

Darin Atteberry added; we are bringing to you what we see as an issue for budget. We are well aware of the condition we are dealing with - what I hear you saying is what other options have been evaluated. To Kelly and Janet - We should go back to drawing board with departments – more vetting to do with options.

Darin Atteberry to Mike Beckstead; - How does this get integrated into existing offers or if this a separate offer?

Mike Beckstead responded; as an example, Recreation has an ongoing offer. A separate offer was created that includes the cost of hourly positions that are being proposed to change to Classified including the net reduction in hourly costs in the ongoing offer if funded as FTE. We can look at it in total or in pieces.

Ross Cunniff commented; what is the minimal \$ we could spend to come within federal regulations. Janet Miller responded; we are meeting that - we had to put that in place. This is an attempt to be proactive in this workforce concern.

Next Step:

Mike Beckstead summarized; CFC is looking for more information and analytics and for other options such as outsourcing to be investigated to be included in the budget process.

B. Utilities 2016 Strategic Financial Plan Update

Lance Smith, Utilities Strategic Financial Director

EXECUTIVE SUMMARY: The purpose of this agenda item is to provide the Council Finance Committee with an update on the 2016 Utilities Strategic Financial Plan as a follow up to the discussion on April 18, 2016 on each utility's Capital Improvement Plan (CIP). As stated in that Agenda Item Summary:

“Each of these plans [CIPs] is projecting substantial capital investment being needed for each utility over the next decade. Because the projected levels of investment are not achievable through current

operating revenues alone it will be necessary to further analyze the best means of achieving these operational needs without negatively impacting the financial integrity of the utilities while maintaining affordable utilities to the community. This analysis and the long term Utilities Strategic Financial Plan will be the focus of the follow up discussion in a few months.”

Recommendations for achieving the capital investments proposed in the CIPs while maintaining the financial health of each utility, along with the bond rating, through modest rate adjustments are discussed below and in the presentation. With the exception of the Storm water Fund, the recommendation achieves these objectives within the next decade. The Storm water CIP will require 15 years to complete the work targeted within the next decade in order to achieve these objectives.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support the Utilities Strategic Financial Planning recommendations?

Continuation of April 18th discussion; Adequate reserves are not available so we were asked to look at other options such as rate increases or issuing debt and come back.

Overall planning process - CIP numbers have been incorporated into the financial models. The models look back 10 years and forward 10 years + current year (21 years of historical perspective).

Four Enterprise Funds evaluated based on the scenarios below;

- Scenario 1; Can we do this with modest rate increases?
- Scenario 2; If not just with rate adjustments, consider issuing of debt
- Scenario 3; If not above, then work with the timing of CIP

Light & Power Fund

Can achieve with modest rate increases.

Wholesale increases from Platt River are included in model.

The Income Qualified Rate that is being discussed and the CAP specific projects are not included in the model.

Mayor Troxell commented; As we move more toward other means of distributed power such as solar, there will be a shift where there are more requirements to manage - therefore the costs to do this will increase - energy costs should go down - so that would mean a different rate structure that reflects more the true costs of operating a distribution utility - shift to more accurately reflect the end costs.

Lance Smith added; Rate changes not reflected here. This is assuming the same rate structure. I would like to come back and talk to CFC about different rate structures.

Mike Beckstead added; we have specific forecasts / predictions for the PRPA piece. The 4 up chart illustrates backing into the required rate change. The model blends it all together – on this slide we tried to break it out. The limiter here is an assume maximum 5% rate increase per year
Gerry Horak commented; please show us specifics by year in the future

Water Enterprise Fund

Modest rate increases plus \$55-\$75M of debt recommended.
All rates would require increases in excess of 20% for the two year spike.
Wildcard is uncertainty around when and if Halligan happens ('20 and '21)
Smoothing out capital needs over 10 years - may mean delaying projects 1 or 2 years to build up funds.

Wastewater Fund

Modest Rate increases are the recommendation.
Available reserves could carry through 5 years.
Caveat for this fund is just beyond 2026 as there are some nutrient removal regulation projects coming in out years with \$60-80m estimated cost.

Stormwater Fund

3 major outfall projects that still need to be built
Modest rate increases combine with debt issuance is the recommendation
10% rate increases –operating income leveling off - debt 2018 and 3 years after
\$80-90m of debt issuance over first 5 years
Stretching CIP improvements out to 15 years from 10 and 2 modest rate increases - reducing near term debt issuance to \$40-50m

Gerry Horak asked; how much of the water reserves came from people giving us money for expansion?
Lance Smith responded; Reserves for water, our customers buying into our existing infrastructure – don't have that exact \$ amount. Also people can pay cash in lieu of water rights and those funds are maintained for water supply development.
Gerry Horak asked; is that represented in these numbers?
Lance Smith responded; yes, there was a slide in our April presentation that illustrated operating revenues and funds put forward toward capital improvements.

Mike Beckstead added; we have an understanding of what that number is. When we talked about Michigan Ditch and Halligan -\$7.5m in water rights - part of the \$64M fund balance to be used for these purposes.

Gerry Horak asked; - When are we going to be looking at how undervalued our current number is
Lance – looking at cash in lieu of and capital requirements – we are coming back to a Council Work Session in October - will make some recommendations - we will be giving that to you when we talk about cash in lieu of water requirements - Impact rate – not a market driven rate – so we are looking at the costs of adding those new customers

Ross Cunniff asked; if we used a different mindset or perspective on what it would cost to replace the water rights we sold that would lead to a different number – that is the kind of analysis I would like to see for the October session (raw water costs).

- Cash in lieu of
- Water requirement
- Changes we are looking to Implement in January 2017

Gerry Horak asked; what part of this is the growth? Are fees going to meet those needs? Break the chunks out of reserves - future moneys coming in that take away from rates.

Lance Smith responded; CIPs - component for new growth and for existing infrastructure.

Next Step:

Mike Beckstead summarized; we will bring this back to CFC before the October work session.

Impact fees are based on the current costs of whatever infrastructure we have in place.

2018 debt in water is largely tied to the timing of when Halligan moves forward.

General consensus / support for range of rate increases and the debt issuances.

C. Airport Supplementary Appropriation Request

Jason Licon, Airport Director

SUBJECT FOR DISCUSSION: Airport Supplementary Appropriation Request

EXECUTIVE SUMMARY:

The City Council approved Northern Colorado Regional Airport’s Strategic Plan is a guiding document that prioritizes goals and tactics for Northern Colorado Regional Airport Commission and Staff.

Included in the plan are five goals including: 1) protecting the Airport from non-compatible land use within the airport influence area, 2) creation of a more sustainable business model, 3) encouragement of private investment, 4) revising the Airport’s governance structure, and 5) rebranding the Airport and enhancing communications and public engagement.

Strategic goals that have been achieved include the revision of the Airport’s governance structure, and the investigation and reporting of land use adjacent to the Airport including the protections that exist from residential encroachment. The strategic goals that remain focus on the financial and social Provide direction on the proposed appropriation of Airport reserve funds in order to achieve remaining strategic plan objectives.

Airport Strategic Plan slide - 2 of 5 of strategic planning items are accomplished - #1 and #4 as listed above have been completed. We are now looking to move forward with the other 3

The ask today is to appropriate \$165k from the airport reserve fund (\$1.7m current balance)

Additional costs for 2017 and 2018 (\$82,500 per city) which will be phased out in 2019.

This would include the addition of 1 FTE for Business Development and Marketing (currently have 5 FTEs).

Renaming the airport - create a new identity - to find new investment into the facilities for both aviation and non-aviation land use.

Mike Beckstead clarified; our ask is for half of the \$165k needed. We are looking to appropriate the \$82.5k. The ask July 5th if or the \$82.5k. 2017 and 2018 numbers will be built into the BFO offer.

Mayor Troxell commented; one of the things the commission has tried to do is to think of the economic influence area of the airport, materials around the airport, the property itself, the economic sphere around the airport and leveraging that in ways that are very intentional.

Looking at sustainability model not just reactive to what might come along - building a more self-reliant, economic base that extends beyond just take offs and landings - looks at all of the elements that drive economic development.

Gerry Horak commented; we need context for the numbers to include current budget / current level of reserves and then what the plan is for future to include a proforma of revenue projections. Capital improvement needs and what those reserves may be needed for. The public needs context for what is happening in order to see the light at the end of the tunnel.

Darin Atteberry added; - I agree with everything Gerry said. The commission had a conversation about this and intentionally and consciously recommended the use of reserves - really important for the commission of the two cities. Historically we have used these dollars for capital grant matches. This is so important that using reserves in this case is not only advisable but they are recommending and encouraging it.

Next Step:

Mike Beckstead asked: Would CFC support on consent for July 5th or as a discussion item?

Gerry Horak responded; that depends on the completeness of the updated AIS information that will be provided. Can go on consent but may be pulled if information is not adequate.

D. Transportation Capital Expansion Fee (Street Oversizing) Assessment

Dean Klingner, Capital Projects Manager

EXECUTIVE SUMMARY

This is the second Council Finance Committee meeting for this item. The City of Fort Collins has retained TischlerBise, Inc. as a consultant to assist the City with the assessment of its existing Transportation Capital Expansion Fee Program (Street Oversizing Capital Expansion Fee Program).

At the November 18th 2015 Finance Committee Meeting, staff highlighted the process of updating the base assumptions and data used to calculate impact transportation impact fees. The proposed changes to the program presented:

- Changing the name from “Street Oversizing” to “Transportation Capital Expansion Fee”
- Using Vehicle Miles Travelled (VMT) as the basis for determining impact, instead of trips generated.
- Transportation impact fees to be assessed by dwelling size instead of unit type, similar to how all other Capital Expansion fees are assessed. Capital Expansion Fees in general are perceived to affect the affordability of homes, and staff recognizes the sensitivity of fee increases.
- Simplify the transportation impact fee schedule from 43 categories of use to only a handful; Residential (by size of unit) and two broad categories for commercial and industrial.

Staff has now developed proposed fee rates based on the new methodology for consideration.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Are there any questions or concerns about the adjustments being considered to the Transportation Capital Expansion fees?

Are there any comments regarding the idea of further increasing the fee to capture development impacts on capacity improvements, such as intersections, roundabouts and traffic signal improvements?

Ross Cunniff asked; do we have a chart of the lane miles built per population historically?

Dean Klingner responded; we don't currently have that but could put that together.

High range and Low range slides- switch in proportion and cost of program

Cost per trip – cost per vehicle mile / how long the trips are

Program increase modest - impact fee – represented as range

Honing in - fees directly proportionate to impact to development - Square footage used for single family dwelling instead of use types

Council work session on August 9th

Ross Cunniff commented; Reaction - the cost is the cost - we are doing our best job at trying to estimate. Allocating that to the new BMT allocated to the project which seems very logical.

Gerry Horak asked; how is geography included?

Dean Klingner responded; what we see Fort Collins in a transition more toward urban development In a national context we are right at the cusps where we could justify shorter trips. This is an Emerging trend – will see this in next update 5 years from now. There is no adjustment for geography in the fee right now.

Gerry Horak asked; do other jurisdictions do this?

Duane Guthrie responded; Likely to switch over at some point - Could do that now from a policy perspective - there is enough support - urban areas meet certain criteria that effect how much travel in cars – terms are; walkable urban vs drivable suburban.

Gerry Horak asked; have you spoken with the planning folks? Population / Buildout Analysis

Dean Klingner responded; this is consistent with the work that Cameron Gloss has done.

Duane Guthrie added; Fits better with the Colorado enabling legislation - fees to be imposed on a broad class of property - not done project by project.

Gerry Horak commented; the logic for commercial fees to be lowered is because of the impacts. They are located in areas that make more sense - not in outer regions.

Mayor Troxell - We are not just downtown we are a transit oriented corridor which is our main spine and the Harmony corridor.

Ross Cunniff asked about social economic analysis.

Dean Klingner; Actual building permit data was used and analyzed. American community survey based on # of people per housing unit, # of vehicle available – that is how we came up with a gradient by size (small single person housing units = less people, fewer vehicles, less trips).

Gerry Horak asked; what work has been done with commercial folks with builders, etc.

Dean Klingner responded; we need to get out and do that - we will have that done between now and the work session - We are anticipating concern about residential fees.

Next Step;

Council Work Session on 8/9

Proceed

OTHER BUSINESS:

August - we will talk about other Capital Expansion Fees - that work is in process

Woodward Rebates - Application has been made for the 2nd half of 2015

It has taken us 3 months to work through issues

Per the development agreement, \$180K all use tax - no question about what fund this will come from - all from GF

Next Step;

Council supports bringing this item forward on consent.

They requested that good analysis and evidence be documented in the AIS.

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Travis Storin, Accounting Director
Kevin Smith, Assurance Partner, RSM US LLP

Date: July 18, 2016

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2015 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

RSM will be presenting the *Report to the City Council*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2015.

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 2015 year-end report.

BACKGROUND/DISCUSSION

Every year the City is required to be audited in compliance with *Government Auditing Standards*. RSM finalized its financial statement audit and compliance report on June 14, 2016 and the firm is required to report the results of the audit to those charged with governance.

There were no findings identified related to Federal grants in the Compliance Report. Financial misstatements identified by the auditors that were deemed immaterial for adjustment and control deficiencies identified by the auditors can be found in the Report to the City Council, Exhibit A. Staff will provide a written response to the audit findings and misstatements at the October Council Finance Committee meeting.

ATTACHMENTS

1. Report to the City Council
2. Compliance Report
3. Comprehensive Annual Financial Report

City of Fort Collins, Colorado

Report to the City Council
June 14, 2016





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June 14, 2016

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

We are pleased to present this report related to our audit of the basic financial statements of the City of Fort Collins, Colorado (the City) for the year ended December 31, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City of Fort Collins, Colorado.

RSM US LLP

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Exhibit A—Significant written communications between management and our firm	
Representation letter	
Control deficiency letter	

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America, <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and provisions of the Uniform Guidance and OMB's Compliance Supplement have been described to you in our arrangement letter dated March 10, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. In the current year, the City adopted the following Governmental Accounting Standards Board (GASB) Statement:</p> <ul style="list-style-type: none"> • GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i>. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The adoption of this Statement required the City to recognize its long-term obligation for pension benefits related to the General Employees' Retirement Plan (GERP) as a liability within their financial statements, as well as, to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances the accountability and transparency through revised and new note disclosures and required supplementary information. <p>As a result of implementing this new Statement, the City restated (reduced) its beginning net position of the governmental activities, business-type activities, each major enterprise fund and the aggregate remaining fund information to record a net pension liability relating to GERP by \$2.5 million and \$5.9 million for governmental activities and business-type activities, respectively.</p>

Area	Comments
	<p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Audit Adjustments	There were no audit adjustments proposed by us that were made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Accounting Pronouncements	Please refer to the attachment for new accounting pronouncements that have been recently issued that may affect the City's financial statements in future periods.
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	We have separately issued a report on internal control over financial reporting and on compliance and other matters based on our audit of the financial statements and major awards, as required by the <i>Government Auditing Standards</i> and the Uniform Guidance. This communication is included within the compliance report of the City for the year ended December 31, 2015.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's December 31, 2015 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Useful Life of Capital Assets	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience.	We tested the propriety of information underlying management's estimates. Based on our procedures, we concluded that management's estimates are reasonable.
Incurred But Not Reported (IBNR) Property Liability, Worker's Compensation, Health Dental and Vision	The City records an estimated reserve for workers' compensation and other risk management liabilities based on actual and estimated claims outstanding as of year-end, and calculations performed by a specialist and include numerous assumptions and estimates.	The assumption factors to estimate the year-end liabilities include historical experience, general market experience and claims lag timing. An actuary is hired by the City to compute the year-end estimate and the results are reviewed by management.	We tested the information provided to the actuary and obtained the actuarial reports. We believe the process used by management of the City and the estimates are reasonable.
Fair Value of Investments	The City records its investments at the estimated fair value.	Investment securities are based on quoted market prices.	We tested the proprietary of information underlying management's estimates, including the use of a third-party independent pricing source. Based on our procedures, we conclude that management's estimate is reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Allowance for Doubtful Accounts	The allowance for doubtful accounts is based on management's estimate of collectability of identified receivables, as well as aging of customer accounts.	The allowance is adjusted as information and specific accounts become available. The City also compares current allowance amounts to prior-year collection or write-off experience.	We tested the underlying information supporting this allowance, including the most recent aging reports and collection experience. We concluded that management's estimate is reasonable.
Net Pension Liability	The City's net pension liability and related deferred inflows and outflows of resources and pension expenses from the General Employees' Retirement Plan are recorded in the financial statements in accordance with GASB Statement No. 68.	The City uses an actuary to calculate the net pension liability/asset and expense based on assumptions and estimates established by the Plan's Board and management from past history and investment returns. City management reviews the actuarial results and considers the appropriateness of the assumptions used by the Plan.	We analyzed management's methodology, tested the underlying data, obtained the calculation and actuarial report and had an internal specialist review the significant assumptions and conclusions. We concluded that the process used by management and the estimates are reasonable.
Other Postemployment Benefit Plan (OPEB) Assumptions	The difference between the annual required contribution and actual contributions is recorded as a liability in the government-wide and proprietary fund financial statements of the City.	The City utilizes the services of an actuary to determine the City's annual required contribution. Management and the actuary determine the appropriateness of the actuarial assumptions to be utilized. The actuary's calculation is reviewed and approved by management.	We tested the information provided to the actuary and obtained the actuarial valuation report. We believe the estimates and processes used by management of the City are reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Assets Held for Sale	The assets held for sale are recorded at the lower of cost or fair value.	The assets held for sale are initially recorded at cost and evaluated by management on an annual basis for any declines in the value of the property based on fair value. Fair value is the sale price of the property when it eventually sells, less selling costs.	We tested the underlying information supporting this estimate and concluded that the estimate and the process used by management is reasonable.
Modified Approach Infrastructure	The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its streets pavement system. These assets are not required to be depreciated, but the City is required to estimate the annual amount to maintain and preserve the assets at the established condition assessment level.	The City's pavement management program conducts condition assessment surveys on a three-year cycle. Based on the information obtained for these surveys, the City uses a pavement condition index (PCI) which is a nationally recognized index, in order to compute the estimate.	We tested the underlying information supporting this estimate and concluded that the estimate and the process used by management is reasonable.

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the basic financial statements and to the related basic financial statement disclosures. Following is a summary of those differences.

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Governmental Activities					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ 1,154,000	\$ (1,041,000)	\$ (113,000)
Current misstatement, factual:					
Overstatement of current year expenses from capital asset correcting entry	-	-	325,000	-	(325,000)
To correct the unreconciled bank to book cash balances	352,000	-	-	(244,000)	(108,000)
Subtotal	<u>\$ 352,000</u>	<u>\$ -</u>	<u>1,479,000</u>	<u>\$ (1,285,000)</u>	<u>\$ (546,000)</u>
Effect of current year passed adjustments on net position			(1,831,000)		
Total			<u>\$ (352,000)</u>		

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Fund Balance/ Net Position	Revenue	Expense/ Expenditure
Aggregate Remaining Fund Information					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ 401,000	\$ (288,000)	\$ (113,000)
Current misstatement, factual:					
To correct the unreconciled bank to book cash balances	352,000	-	-	(244,000)	(108,000)
Subtotal	<u>\$ 352,000</u>	<u>\$ -</u>	<u>401,000</u>	<u>\$ (532,000)</u>	<u>\$ (221,000)</u>
Effect of current year passed adjustments on fund balance			(753,000)		
Total			<u>\$ (352,000)</u>		

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Business-Type Activities					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ (164,000)	\$ -	\$ 164,000
Current misstatement, factual:					
Correction of errors recorded in prior years relating to inappropriately capitalized interest for the Halligan Water Supply Project	-	-	962,000	-	(962,000)
Entry to record capitalized interest	1,646,000	-	-	-	(1,646,000)
Subtotal	<u>\$ 1,646,000</u>	<u>\$ -</u>	<u>798,000</u>	<u>\$ -</u>	<u>\$ (2,444,000)</u>
Effect of current year passed adjustments on net position			(2,444,000)		
Total			<u>\$ (1,646,000)</u>		

Summary of Uncorrected Misstatements (Continued)

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Water Fund					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ (164,000)	\$ -	\$ 164,000
Current misstatement, factual:					
Correction of errors recorded in prior years relating to inappropriately capitalized interest for the Halligan Water Supply Project	-	-	962,000	-	(962,000)
Entry to record capitalized interest	460,000	-	-	-	(460,000)
Subtotal	<u>\$ 460,000</u>	<u>\$ -</u>	<u>798,000</u>	<u>\$ -</u>	<u>\$ (1,258,000)</u>
Effect of current year passed adjustments on net position			(1,258,000)		
Total			<u>\$ (460,000)</u>		

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Light and Power Fund					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual:					
Entry to record capitalized interest	448,000	-	-	-	(448,000)
Subtotal	<u>\$ 448,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (448,000)</u>
Effect of current year passed adjustments on net position			(448,000)		
Total			<u>\$ (448,000)</u>		

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Wastewater Fund					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual:					
Entry to record capitalized interest	477,000	-	-	-	(477,000)
Subtotal	<u>\$ 477,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (477,000)</u>
Effect of current year passed adjustments on net position			(477,000)		
Total			<u>\$ (477,000)</u>		

	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Storm Drainage Fund					
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual:					
Entry to record capitalized interest	261,000	-	-	-	(261,000)
Subtotal	<u>\$ 261,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (261,000)</u>
Effect of current year passed adjustments on net position			(261,000)		
Total			<u>\$ (261,000)</u>		

Recently Issued Accounting Standards

The GASB has issued several statements not yet implemented by the City. The City's management has not yet determined the effect these statements will have on the City's financial statements. However, the City plans to implement all standards by the required dates. The standards which will impact the City are as follows:

**GASB Statement
No. 75, *Accounting
and Financial
Reporting for
Postemployment
Benefits Other Than
Pensions***

This Statement, issued June 2015, will be effective for the City beginning with its fiscal year ending December 31, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

**GASB Statement
No. 77, *Tax
Abatement
Disclosures***

This Statement, issued August 2015, will be effective for the City beginning with its fiscal year ending December 31, 2016. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

**GASB Statement
No. 79, *Certain
External Investment
Pools and Pool
Participants***

This Statement, issued December 2015, will be effective for the City beginning with its fiscal year ending December 31, 2016. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

**GASB Statement
No. 80, *Blending
Requirements for
Certain Component
Units – an
Amendment of
GASB Statement
No. 14***

This Statement, issued January 2016, will be effective for the City beginning with its fiscal year ending December 31, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirement for certain component units. This Statement establishes an additional blending requirement for the financial statement presentation of component units. This Statement applies to all state and local governments. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. This Statement does not apply to component units included in the financial reporting entity pursuant to the provision of Statement No. 39. This Statement amends Statement No. 14.

**GASB Statement
No. 82, *Pension
Issues – an
amendment of
GASB Statements
No. 67, No. 68, and
No. 73***

This Statement, issued March 2016, will be effective for the City beginning with its fiscal year ending December 31, 2017. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

Exhibit A—Significant Written Communications between Management and Our Firm



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PO Box 580
Fort Collins, CO 80522

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fcgov.com

June 14, 2016

RSM US LLP
555 17th Street, Suite 1000
Denver, CO 80202

This representation letter is provided in connection with your audit of the basic financial statements of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of June 14, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 10, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
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. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with component units for which the City is accountable, other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, joint ventures in which the City has an interest, and jointly governed organizations in which the City participates, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. There are no events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Arrangements with financial institutions involving restrictions on cash balances.
 - b. Net positions and fund balance classifications.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - e. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
9. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the GASB Accounting Standards Codification.
10. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We agree with the findings of specialists in evaluating the City's investment valuations, self-insurance liabilities and other postemployment benefits liability under GASB Statement No. 45, and pension related obligations and disclosures, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
13. We have informed you of all uncorrected misstatements as of and for the year ended December 31, 2015. We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the opinion units of the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission 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.

Governmental Activities	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Description:					
Carryover impact from previous years	\$ -	\$ -	\$ 1,154,000	\$ (1,041,000)	\$ (113,000)
Current misstatement, factual:					
Overstatement of current year expenses from capital asset correcting entry	-	-	325,000	-	(325,000)
To correct the unreconciled bank to book cash balances	352,000	-	-	(244,000)	(108,000)
Subtotal	\$ 352,000	\$ -	1,479,000	\$ (1,285,000)	\$ (546,000)
Effect of current year passed adjustments on net position			(1,831,000)		
Total			\$ (352,000)		

Debit (Credit) to Correct the Misstatements						
		Assets	Liabilities	Fund Balance/ Net Position	Revenue	Expense/ Expenditure
Aggregate Remaining Fund Information						
Description:						
	Carryover impact from previous years	\$ -	\$ -	\$ 401,000	\$ (288,000)	\$ (113,000)
Current misstatement, factual:						
	To correct the unreconciled bank to book cash balances	352,000	-	-	(244,000)	(108,000)
	Subtotal	\$ 352,000	\$ -	401,000	\$ (532,000)	\$ (221,000)
Effect of current year passed adjustments on fund balance					(753,000)	
	Total			\$ (352,000)		

Debit (Credit) to Correct the Misstatements						
		Assets	Liabilities	Net Position	Revenue	Expense
Business-Type Activities						
Description:						
	Carryover impact from previous years	\$ -	\$ -	\$ (164,000)	\$ -	\$ 164,000
Current misstatement, factual:						
	Correction of errors recorded in prior years relating to inappropriately capitalized interest for the Halligan Water Supply Project	-	-	962,000	-	(962,000)
	Entry to record capitalized interest	1,646,000	-	-	-	(1,646,000)
	Subtotal	\$ 1,646,000	\$ -	798,000	\$ -	\$ (2,444,000)
Effect of current year passed adjustments on net position					(2,444,000)	
	Total			\$ (1,646,000)		

Debit (Credit) to Correct the Misstatements						
		Assets	Liabilities	Net Position	Revenue	Expense
Water Fund						
Description:						
	Carryover impact from previous years	\$ -	\$ -	\$ (164,000)	\$ -	\$ 164,000
Current misstatement, factual:						
	Correction of errors recorded in prior years relating to inappropriately capitalized interest for the Halligan Water Supply Project	-	-	962,000	-	(962,000)
	Entry to record capitalized interest	460,000	-	-	-	(460,000)
	Subtotal	\$ 460,000	\$ -	798,000	\$ -	\$ (1,258,000)
Effect of current year passed adjustments on net position					(1,258,000)	
	Total			\$ (460,000)		

Debit (Credit) to Correct the Misstatements						
		Assets	Liabilities	Net Position	Revenue	Expense
Light and Power Fund						
Description:						
	Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual:						
	Entry to record capitalized interest	448,000	-	-	-	(448,000)
	Subtotal	\$ 448,000	\$ -	-	\$ -	\$ (448,000)
Effect of current year passed adjustments on net position					(448,000)	
	Total			\$ (448,000)		

Debit (Credit) to Correct the Misstatements						
		Assets	Liabilities	Net Position	Revenue	Expense
Wastewater Fund						
Description:						
	Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual:						
	Entry to record capitalized interest	477,000	-	-	-	(477,000)
	Subtotal	\$ 477,000	\$ -	-	\$ -	\$ (477,000)
Effect of current year passed adjustments on net position					(477,000)	
	Total			\$ (477,000)		

Storm Drainage Fund Description:	Debit (Credit) to Correct the Misstatements				
	Assets	Liabilities	Net Position	Revenue	Expense
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current misstatement, factual: Entry to record capitalized interest	261,000	-	-	-	(261,000)
Subtotal	\$ 261,000	\$ -	-	\$ -	\$ (261,000)
Effect of current year passed adjustments on net position			(261,000)		
Total			\$ (261,000)		

14. We believe the implementation of GASB Statement No. 68 is appropriate, and its effect is properly disclosed in the basic financial statements of the City.

Information Provided

15. 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. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
18. We have no knowledge of allegations of fraud or suspected fraud, affecting the City's financial statements involving:
- a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators or others.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
21. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
22. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
23. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.
24. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

25. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
26. With respect to Management's Discussion and Analysis, pension and postemployment information and the modified approach for City Streets Infrastructure capital assets, presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation for the pension schedules have changed from those used in the prior period, due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
27. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

28. In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:
 - a. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
 - b. Is not aware of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
 - c. Is not aware of any instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
 - d. Is not aware of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
 - e. Is not aware of any fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.

- f. Has a process to track the status of audit findings and recommendations.
 - g. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
29. In connection with your audit of the City's federal awards conducted in accordance with Subpart F of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:
- a. Management is responsible for complying, and has complied, with the requirements of the Uniform Guidance.
 - b. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
 - c. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
 - d. Management has prepared the schedule of expenditures of federal awards in accordance with the Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
 - e. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
 - f. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - g. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
 - h. Management is not aware of any amounts questioned or known noncompliance with the direct and material compliance requirements of federal awards.
 - i. Management believes that the auditee has complied with the direct and material compliance requirements.
 - j. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - k. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
 - l. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- m. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit.
- n. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
- p. Management is not aware of any changes in internal control over compliance or other factors that might significantly affect internal control.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- r. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- s. Management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- t. If applicable, management has issued management decisions timely after their receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and has ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- u. If applicable, management has considered the results of subrecipient audits and has made any necessary adjustments to the auditee's own books and records.
- v. Management has charged costs to federal awards in accordance with applicable cost principles.
- w. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
- x. The reporting package does not contain protected personally identifiable information.
- y. Management will accurately complete the appropriate sections of the data collection form.

City of Fort Collins, Colorado



Mike Beckstead, Chief Financial Officer



John Voss, Controller



Travis Storin, Accounting Director



RSM US LLP

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June 14, 2016

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

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, 2015, in accordance with auditing standards generally accepted in the United States of America, 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.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Cash Reconciliations

The City did not reconcile all bank accounts in a timely manner throughout the year ending December 31, 2015. Cash reconciliations provided during the audit had unreconciled differences between the bank statements and general ledger of approximately \$352,000. We recommend the City establish procedures to prepare and review cash reconciliations timely and accurately to reconcile the bank balance to the book balance with no significant unreconciled differences.

Reconciliation of Federal Transit Administration (FTA) grant expenditures

During 2015, the City performed monthly reconciliations of the FTA drawdowns requested/received to the amounts recorded in the general ledger. The City utilized these drawdown requests to populate the year-end schedule of expenditures of federal awards (SEFA). The City does not have an adequate process in place however, for also reconciling expenditure accruals recorded in the general ledger subsequent to year-end, to the SEFA to ensure these expenditure accruals are recorded properly in the SEFA. As a result of this, FTA expenditures were reported on the 2015 SEFA that should have been reported on the 2014 SEFA, consistent with the expenditure recognition in the financial statements. We recommend the City develop an adequate process to reconcile year-end expenditure accruals to the SEFA to verify that federal expenditures for the FTA grants are reported in the proper period.

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

RSM US LLP

City of Fort Collins, Colorado

Compliance Report
Year Ended December 31, 2015

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City of Fort Collins, Colorado

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development			
Community Development Block Grants (Direct):			
Grant Year 2010 / 2011	14.218	B-10-MC-08-0008	\$ 8,996
Grant Year 2012 / 2013	14.218	B-12-MC-08-0008	290,455
Grant Year 2013 / 2014	14.218	B-13-MC-08-0008	617,475
Grant Year 2014 / 2015	14.218	B-14-MC-08-0008	195,135
Grant Year 2015 / 2016	14.218	B-15-MC-08-0008	79,411
Subtotal			1,191,472
Home Investment Partnership Programs (Direct):			
Grant Year 2011 / 2012	14.239	M-11-MC-08-0209	45,466
Grant Year 2012 / 2013	14.239	M-12-MC-08-0209	52,329
Grant Year 2013 / 2014	14.239	M-13-MC-08-0209	28,941
Grant Year 2014 / 2015	14.239	M-14-MC-08-0209	1,053
Grant Year 2015 / 2016	14.239	M-15-MC-08-0209	12,490
Subtotal			140,279
Total Department of Housing and Urban Development			1,331,751
Department of Justice			
(Passed through the Colorado Division of Criminal Justice):			
RJ Juvenile Diversion Grant	16.523	None	49,022
Internet Crimes Against Children	16.543	2015-MC-FX-K009	7,000
JAG Grant	16.738	2013-DJ-BX-0149	22,337
Total Department of Justice			78,359
Department of Transportation			
National Highway Traffic Safety Administration			
(Passed through the Colorado Department of Transportation):			
DUI Grant	20.601	None	13,910
Police LEAF Grant	20.601	None	8,147
Seatbelt Grant	20.604	None	6,926
Total National Highway Traffic Safety Administration			28,983
Federal Highway Administration			
(Passed through the Colorado Department of Transportation):			
FC Bikes - CMAQ	20.205	14 HTD-649742	199,100
Horsetooth/Timberline Improvements	20.205	ACQ M455-010 (19307)	319,802
Traffic Responsive Signal System	20.205	AQC M455-098 (17573)	155,937
Jefferson Street/SH 14 Intersection	20.205	ACQ M455-088 (16525)	16,188
W Mulberry St Bridge Rprs	20.205	BRO M455-113 (19747)	371,956
Drake/Shield Intersection Impv	20.205	SHO M455-108 (19059)	45,979
Mulberry/Lemay Ped Brdg-P Trl	20.205	STE M455-105 (18399)	368,000
US287 - Conifer to Willox	20.205	STE M455-106 (18401)	3,571,910
Shields/Vine Intersection Improvements	20.205	STU M455-108 (18877)	827,980
N.College Pedestrian Connection	20.205	AQC M455-111 (19561)	25,882
Total Federal Highway Administration			5,902,734

(Continued)

City of Fort Collins, Colorado

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2015**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Transit Administration (Cluster)			
(Formula Grants - Capital 5309) (Direct):			
Capital 5309 (2010)	20.500	CO-04-0086-00	83,300
State of Good Repair (5309) -2010	20.500	CO-04-0087-00	541,863
State of Good Repair (5309) -2012	20.500	CO-04-0113-00	1,065,712
Section 5339 - 2013	20.500	CO-34-0004-00	261,963
2009 Mason Corridor Small Starts	20.500	CO-03-0206-01	2,587,179
Subtotal			<u>4,540,017</u>
(Urbanized Area Formula Grants - 5307) (Direct):			
08/09 Flexed FHWA CMAQ	20.507	CO-95-X004-00	16,805
2013 Capital & Operating	20.507	CO-90-X217-00	2,214,134
2014 Capital & Operating	20.507	CO-90-X219-00	5,332,186
2013 Rides to Wellness - 2013	20.507	CO-16-X048-00	74,936
2013 Rides to Wellness - 2014	20.507	CO-16-X049-00	26,709
			<u>7,664,770</u>
Total Federal Transit Administration (Cluster)			<u>12,204,787</u>
Total Department of Transportation			<u>18,136,504</u>
Institute of Museum and Library Services (Direct)			
IMLS High Park Fire	45.301	MA-10-13-0562-13	<u>63,976</u>
Environmental Protection Agency			
(Passed through the Colorado Department of Public Health and Environment):			
2013-2014 Radon Grant	66.032	None	<u>4,973</u>
Department of Veterans Affairs			
Veterans Adaptive Sports Grant (Direct)	64.034	2015-ASG-16	<u>15,885</u>
Department of Energy (Direct)			
ARRA - Smart Grid Investment Grant	81.122	DE-OE0000357	<u>1,193,838</u>
Office of National Drug Control Policy (Direct)			
HIDTA Grant	95.001	G14RM0020A	<u>116,190</u>
Total Expenditures of Federal Awards			<u><u>\$ 20,941,476</u></u>

See notes to schedule of expenditures of federal awards.

City of Fort Collins, Colorado

**Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Fort Collins, Colorado (the City) and its discretely presented component unit under programs of the federal government for the year ended December 31, 2015. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental entities, are included in the Schedule. 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 the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Significant Accounting Policies

Expenditures of federal awards are reported on the modified accrual basis of accounting in the governmental funds and the accrual basis of accounting in the proprietary funds. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Such expenditures are recognized following the cost principles contained OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients during the year ended December 31, 2015, as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG) - Entitlement Grants	14.218	\$ 944,379
Home Investment Partnership Program	14.239	118,072

**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 the City Council and
City Manager of the City of Fort Collins, Colorado
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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fort Collins, Colorado (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2016. The beginning net position of the governmental activities, business-type activities, each major enterprise fund and the aggregate remaining fund information was restated due to the implementation of GASB Statement No. 68 to recognize a net pension liability.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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.

RSM US LLP

Denver, Colorado
June 14, 2016

**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 the City Council and
City Manager of the City of Fort Collins, Colorado
Fort Collins, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Collins, Colorado'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, 2015. 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 the requirements of laws, regulations, contracts and grants applicable to its major 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Collins, Colorado as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 14, 2016, which contained unmodified opinions on those financial statements. The beginning net position of the governmental activities, business-type activities, each major enterprise fund and the aggregate remaining fund information was restated due to the implementation of GASB Statement No. 68 to recognize a net pension liability. 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.

RSM US LLP

Denver, Colorado
June 14, 2016

City of Fort Collins, Colorado

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015**

Number	Comment	Status	Corrective Action or Other Explanation
None Reported			

City of Fort Collins, Colorado

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2015**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes No
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Federal Highway Administration Grants
81.122	ARRA - Smart Grid Investment Grant

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

City of Fort Collins, Colorado

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015**

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

None reported.

B. Compliance findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Instances of Noncompliance

None reported.

City of Fort Collins, Colorado

**Corrective Action Plan
Year Ended December 31, 2015**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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None reported

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Kristi Hess, Travis Storin

Date: July 18, 2016

SUBJECT FOR DISCUSSION

Benefits - Market Analysis & Possible Plan Change Discussion

EXECUTIVE SUMMARY

The purpose of this discussion is to answer the question ‘what does market mean’ along with how the City defines its overall benefits strategy to support a competitive, cost-effective, total rewards strategy.

The City’s philosophy is to provide a benefit plan that is market-based, financially sound and supports the City’s recruitment and retention goals. Staff and benefits consultants monitor and evaluate:

1. Plan design and premium cost share
2. Market benefit surveys
3. Overall plan costs, and
4. Healthcare costs and trends.

The City selects surveys that provide comparable data as it relates to type of organization, size of organization and organization’s geographic location.

Based on a review of current market data, priorities for 2017 include: managing rising benefit plan costs through a stronger partnership with its external benefit consultants, update/redesign benefit plan design, and employee education and communication campaigns.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

What questions does CFC have about the included historical benefit costing information and the City’s plan to continue managing rising healthcare costs?

BACKGROUND/DISCUSSION

ATTACHMENTS

Attachment 1 – Market Competitive Benefit Discussion



- Current City Benefit Landscape
- Historical Employee Cost-Share Modeling
- State of Benefits Market
- Future Opportunities

Benefits Approach:

- Market-competitive
- Financially sound plan design – cost containment strategy
- Support City's recruitment and retention goals

What does 'Market' mean?

Key factors:

- Plan design (e.g. deductibles, out-of-pocket maximum, co-pays, etc.)
- Premiums
- Employer and employee cost share data

These data points are analyzed and adjustments may be made based on actual claim experience, risk analysis, industry trends and comparison to market surveys.

The City has determined it will use the following benefit survey sources for purposes of evaluating its cost management and competitive benefit strategies:

- **Mountain States Employers Council (MSEC)**
- **Mercer**
- **Custom Survey provided by new benefits consultant, HUB, International**

Comparative Market Data for **Premium Cost Share Only** (as of July, 2016):

- Mountain States Employers Council (MSEC) Health and Welfare Plans, September, 2014 (new data being released in Sept, 2016 – pushed release date)
- Mercer National Survey, released June, 2016
- ***Future: Custom Survey that includes other municipalities and state government entities***

Employee Only

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	83%	17%
MSEC (Gov't)	83%	17%
Mercer (Gov't)	82%	18%
Mercer (Government 1k-5k EEs)	78%	22%
City of Fort Collins	86.8%	13.2%

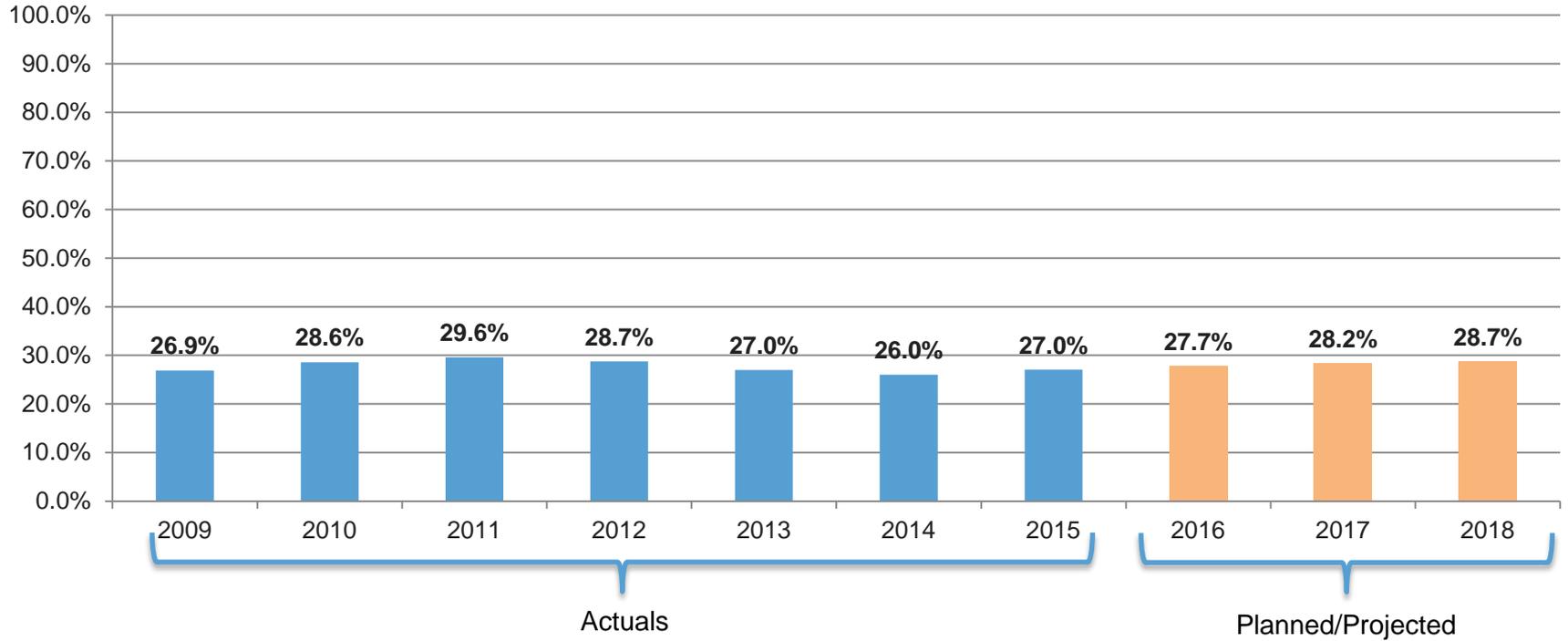
Employee + Family

Survey	Employer Contribution	Employee Contribution
MSEC (Northern Colorado)	66%	34%
MSEC (Gov't)	72%	28%
Mercer (Gov't)	72%	28%
Mercer (Government 1k-5k EEs)	72%	28%
City of Fort Collins	71.5%	28.5%

Plan Benchmarking and Design Comparison

	Current Plan	ER's 1,000 - 4,999 EE's	Industry: Government	Area: Northern Colorado	Industry: Government
	PPO	PPO	PPO	PPO	PPO
Deductible:					
Single / Family	\$300 / \$600	\$1,000 / \$3,000	\$500 / \$1,500	\$1,060 / \$2,890	\$1,100 / \$2,740
Out of Pocket Max:					
Single / Family	\$5,000 / \$10,000	\$3,000 / \$6,000	\$2,000 / \$4,800	\$3,290 / \$7,580	\$3,560 / \$8,120
In-Network Coinsurance:	85%	80%	80%	80%	80%
OV Copay:					
PCP	\$20	\$25	\$20	\$43	\$43
Specialist (when separate)	\$30	\$40	\$40		
Emergency Room:	\$200	\$125	\$125	\$400	\$460
Prescription Drugs:					
Avg Copay	\$0 / \$20 / \$40	\$11 / \$31 / \$53 / \$109	\$9 / \$28 / \$45 / \$94	\$12 / \$32 / \$56 / \$188	\$12 / \$33 / \$55 / \$159
Employee Contribution:					
Single	13.2% / \$71.82	22% / \$125	18% / \$92	17% / \$104	17% / \$114
Family	28.5% / \$440.90	28% / \$439	28% / \$335	32% / \$392	26% / \$341
				30% / \$330	25% / \$286
				34% / \$574	28% / \$495

Historical employee cost share



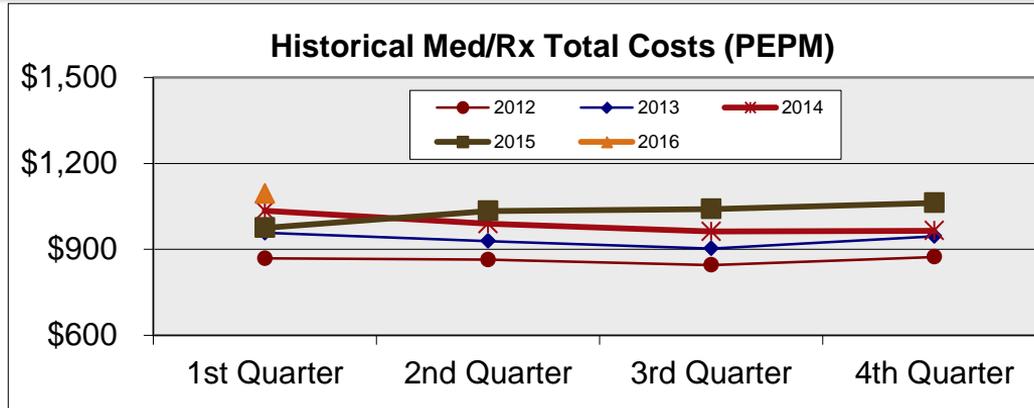
Historical Employee Premium Increases

Year	Core		Advantage		Overall	
	Enrollees	Average rate increase	Enrollees	Average rate increase	Enrollees	Average rate increase
2013	574	0.0%	953	0.0%	1,527	0.0%
2014	635	22.4%	931	0.0%	1,566	9.1%
2015	532	30.2%	1,064	0.0%	1,596	10.1%
2016	-	-	1,677	7.7%	1,677	7.7%

As a reminder, the City implemented one plan beginning in 2016 and those that were on the Core Plan experienced an average 29.39% increase.

Historical Medical / Rx Total Costs

Costs represented are employee per month



Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Change
2012	\$ 868.74	\$ 864.24	\$ 845.39	\$ 873.50	
2013	\$ 957.91	\$ 929.07	\$ 902.71	\$ 946.16	8.3%
2014	\$ 1,034.58	\$ 989.50	\$ 962.35	\$ 965.13	2.0%
2015	\$ 975.13	\$ 1,034.23	\$ 1,040.54	\$ 1,062.48	10.1%

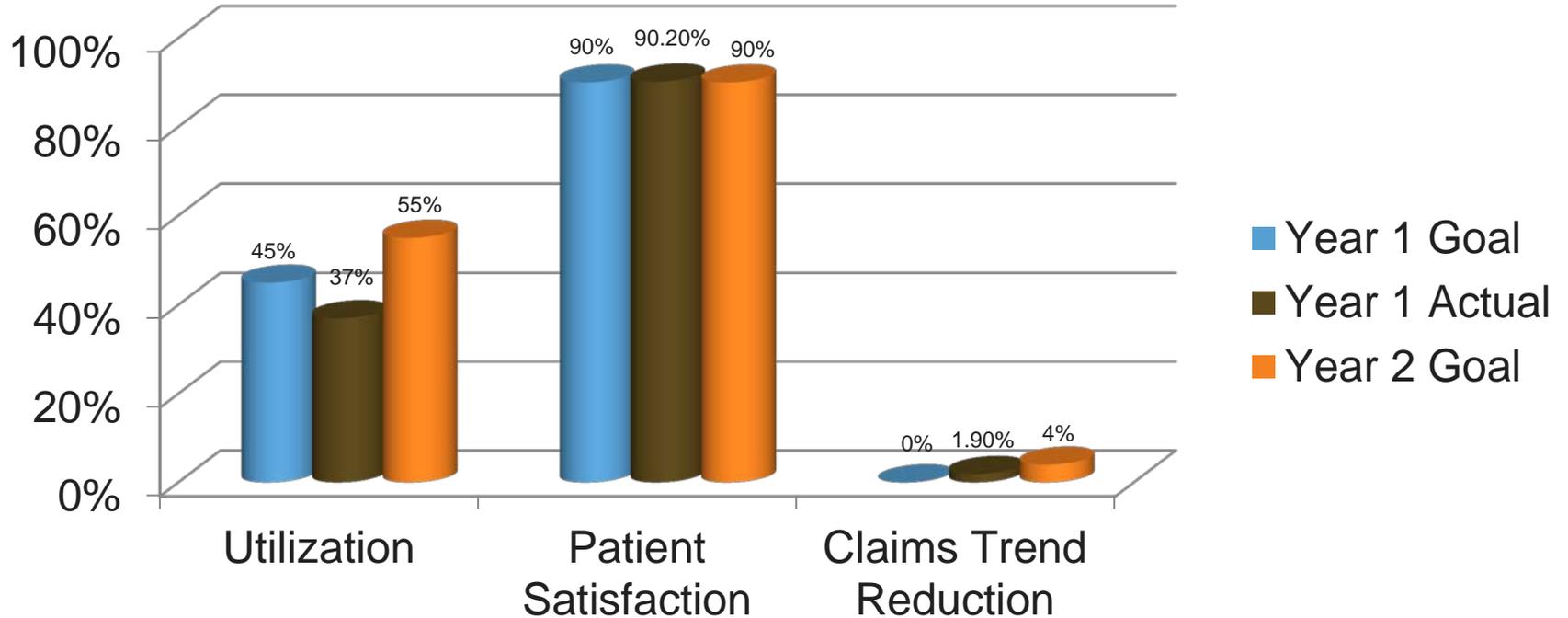
- All yearly data illustrated on a CY basis (1/1 - 12/31)
- Quarterly data is cumulative over the course of the year
- Includes Medical / Rx / Fixed Costs
- Accounts for any plan changes year to year

Average **City** Trend Per Year (2012-2015):

6.7%

Average **Market** Trend Per Year (2012-2015):

7.3%



Affordable Care Act Statistics

- 2015: 138 additional employees eligible that met requirements under Affordable Care Act (ACA) *(120 enrolled: \$1.6M)*
- 2016: 12 additional employees eligible that met requirements under ACA *(6 enrolled: \$77k)*
- ACA Mandatory Fees:
 - PCORI: \$5800 *(2014)*, \$6600 *(2015 estimated liability to be paid in July, 2016)*
 - Reinsurance Fees: \$232,631 *(2014)*, \$128,876 *(2015)*

Important note: An additional 63 bus drivers enrolled that were changed from hourly to classified – not ACA related, but still affected medical costs

Future Opportunities and Focus

- RFP Medical Carrier Review for 2017 Plan Year
- Ongoing promotion for utilization of CityCare
- Plan Design Analysis including copays, deductibles, coinsurance, out-of-pocket responsibility for employees
- Fully-integrated Pharmacy Benefit Management System



**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

**Staff: Kelly DiMartino, Assistant City Manager
Jamie Heckman, HR Business & Technology Manager**

Date: July 18, 2016

SUBJECT FOR DISCUSSION

Compensation Philosophy and Market Pricing

EXECUTIVE SUMMARY (a brief paragraph or two that succinctly summarizes important points that are covered in more detail in the body of the AIS.)

In 2014, the City of Fort Collins utilized a competitive bid process and contracted with Revolution Advisors to complete a Compensation and Career Progression Study. This study analyzed current compensation policies and programs, including how the City defines “market,” the job analysis system, and the current performance-based pay methodology. The Study identified opportunities for improvement to build a high-performing culture, improve employee engagement, increase clarity and efficiency, and enhance employee development and career options.

In partnership with Revolution Advisors and based on their expertise, the City is recommending changes to the methodology used to determine the Pay Plan.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

(Work session questions should be designed to gather direction from Council without requiring Councilmembers to make a decision.)

The purpose is to inform Councilmembers of the recommendations prior to market pricing and implementation.

BACKGROUND/DISCUSSION (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

ATTACHMENTS (numbered Attachment 1, 2, 3,...)



TOTALREWARDS



JOB ARCHITECTURE

Objective: Review proposed changes to the methodology the City uses to determine pay structure.

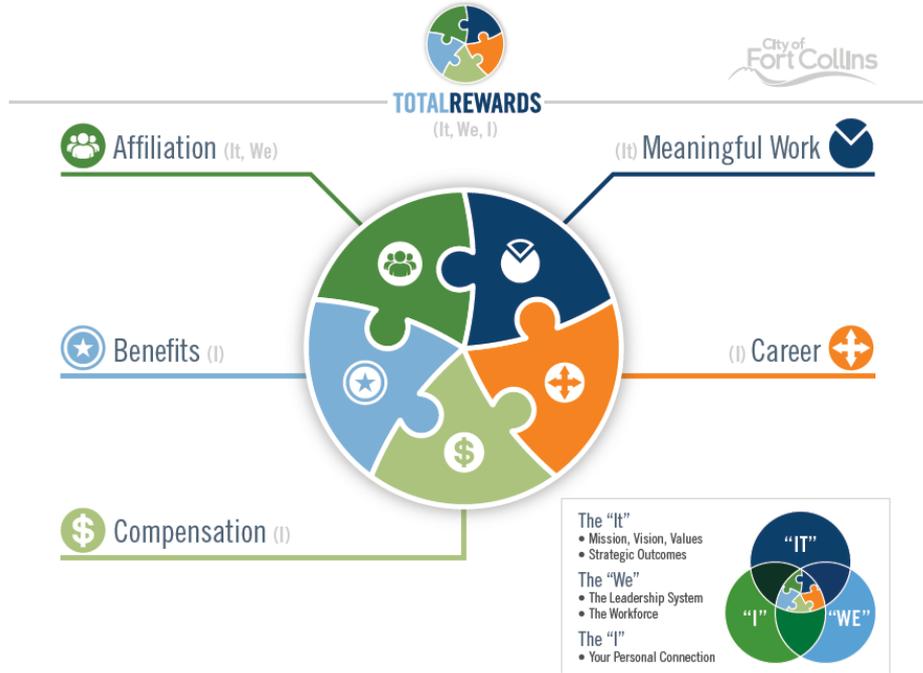
- Strategic Alignment
- Compensation Philosophy Review
- Next Steps / Q&A



**HIGH PERFORMING
GOVERNMENT**

STRATEGIC OBJECTIVE 7.3

Improve core Human Resource systems, develop a total reward system and address workforce planning and career development.



The City's compensation philosophy is to:

- Attract and retain top talent
- Remain market competitive with pay
- Focus on Total Rewards not just base pay

The competition for talent is real.....

- “Colorado had the 10th lowest unemployment rate in the country”
 - US 5.3%
 - Colorado 3.9%
 - Fort Collins 3.6%

- “Home prices are rising twice as fast as the national average”...

Source:

- U.S. Bureau of Labor and Statistics, 2015
- COLORADOAN ANALYSIS, homes that sold more than once from 2009 to 2014

City Indicators of Market Scarcity

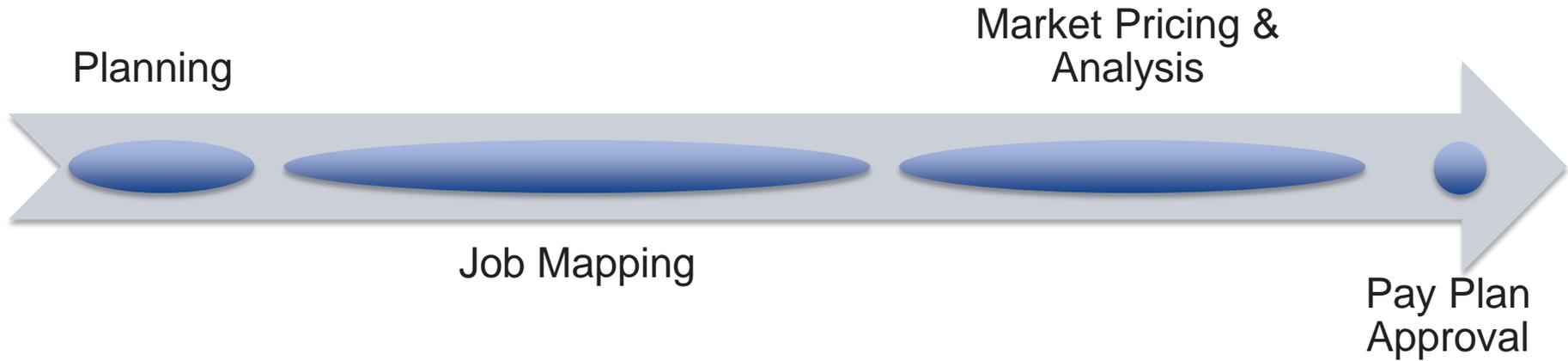
- Employee turnover rate has increased 81% since 2013
- The City is placing new hire employees 28% higher in the pay range since 2013

	2013	2014	2015
Employee Turnover	6.13%	9.35%	11.13%
New Hire Average Range Penetration	36%	38%	46%

Source: City of Fort Collins

- Move towards a **market pricing strategy** based on **new hire trends** in each Service Area
- Leverage **common dimensions** of the market pricing strategy to include Organization Size, Public vs. Private mix, Geography
- Expand **survey sources** to include Mercer OR Towers Watson
- Increase the number of **direct benchmarked jobs** from 30% to 80%

- Increased **rigor** and **data** to drive pay decisions
- More **reliable and trusted** market data
- Expanded use of the **pay range** with criteria to guide decisions
- **Higher costs** to purchase new surveys





**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Rich Shannon

Date: July 18, 2017

SUBJECT FOR DISCUSSION Colorado Care Ballot Initiative

EXECUTIVE SUMMARY (a brief paragraph or two that succinctly summarizes important points that are covered in more detail in the body of the AIS.)

Representatives from ColoradoCare will be providing a brief presentation on Amendment 69, the proposal to create a single non-profit health coverage entity for Colorado. The question is on the Nov. 8, 2016 state wide ballot. It is described as a Medicare- for- all model of health coverage.

The presentation will describe the benefits they see for the City, both financially (up to \$8.5 million in savings per year, see attached) and from a management/organizational health perspective. They will also touch on the extended benefit they believe ColoradoCare will provide in terms of a healthier and better functioning community. ColoradoCare is asking the City Council to publically endorse Amendment 69.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
(Work session questions should be designed to gather direction from Council without requiring Councilmembers to make a decision.)

ColoradoCare is asking the City Council to publically endorse Amendment 69.

BACKGROUND/DISCUSSION (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

ATTACHMENTS

Attachment 1 - CFC presentation for July 18, 2016
Attachment 2 - Fort Collins Savings Worksheet



Colorado's Version of Medicare-for-All

A single, non-profit health coverage entity



- ✓ Simple
- ✓ Affordable
- ✓ Covers Everyone*
- ✓ Saves Billions of Dollars

*Including Part-Time Workers



ACA Section 1332

States can request a waiver in 2017

- If insurance is at least as comprehensive & affordable as ACA
- If at least as many people are covered
- Does not increase the federal deficit



ColoradoCare

will be evaluated by the

Treasury and Department of
Health and Human Services for

- Financial stability
- Comprehensive benefits



Health Care Reform



***“It is time to
give the states a
chance.”***

**Tom Daschle (D)
& Newt Gingrich (R)**
The Washington Post
February 3, 2016

ColoradoCare: Covers Everyone, Saves Billions, For Colorado by Coloradans



Benefits for Employers

- Significant financial savings
- Predictable health care costs from year to year
- Get out of the health insurance role

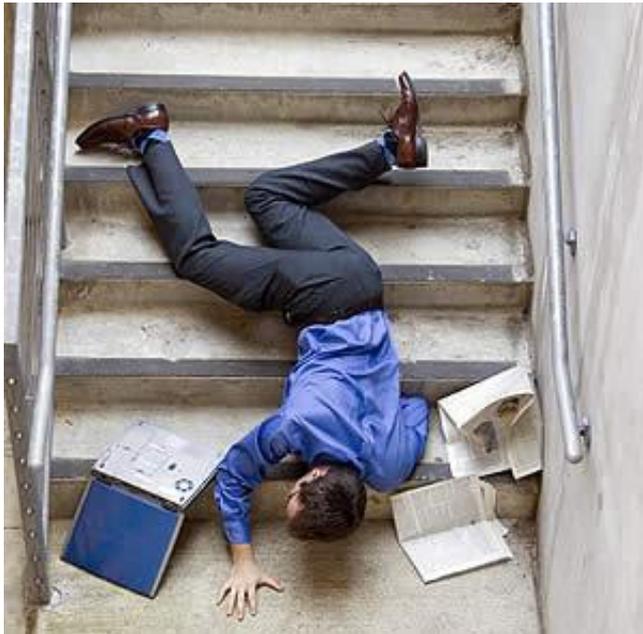
Benefits for Employers

- All employees are covered
- Mental health is on par with physical health coverage (*stress is the #1 wellness issue in the workforce*)
- Greater flexibility and mobility for employees



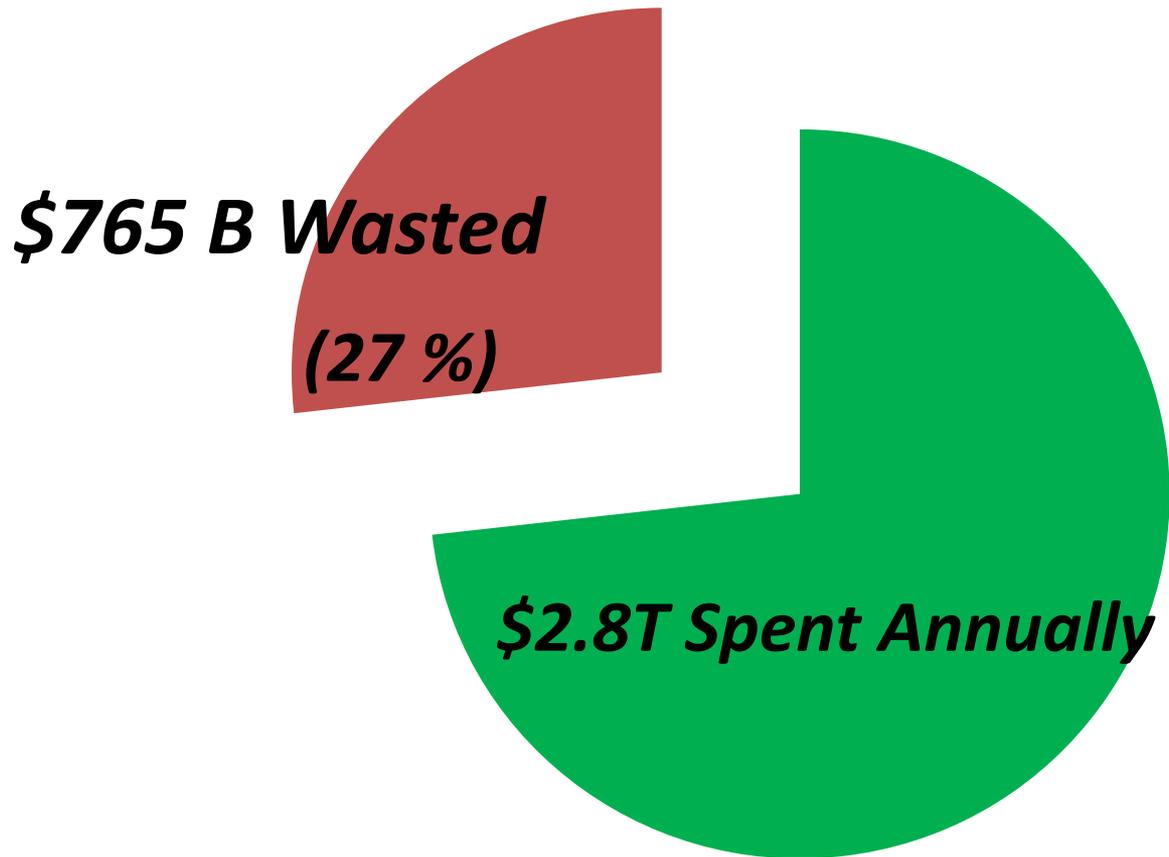
Replaces the Medical Portion of Workers Compensation Insurance

59% Cost Decrease





ColoradoCare will Significantly Reduce Waste



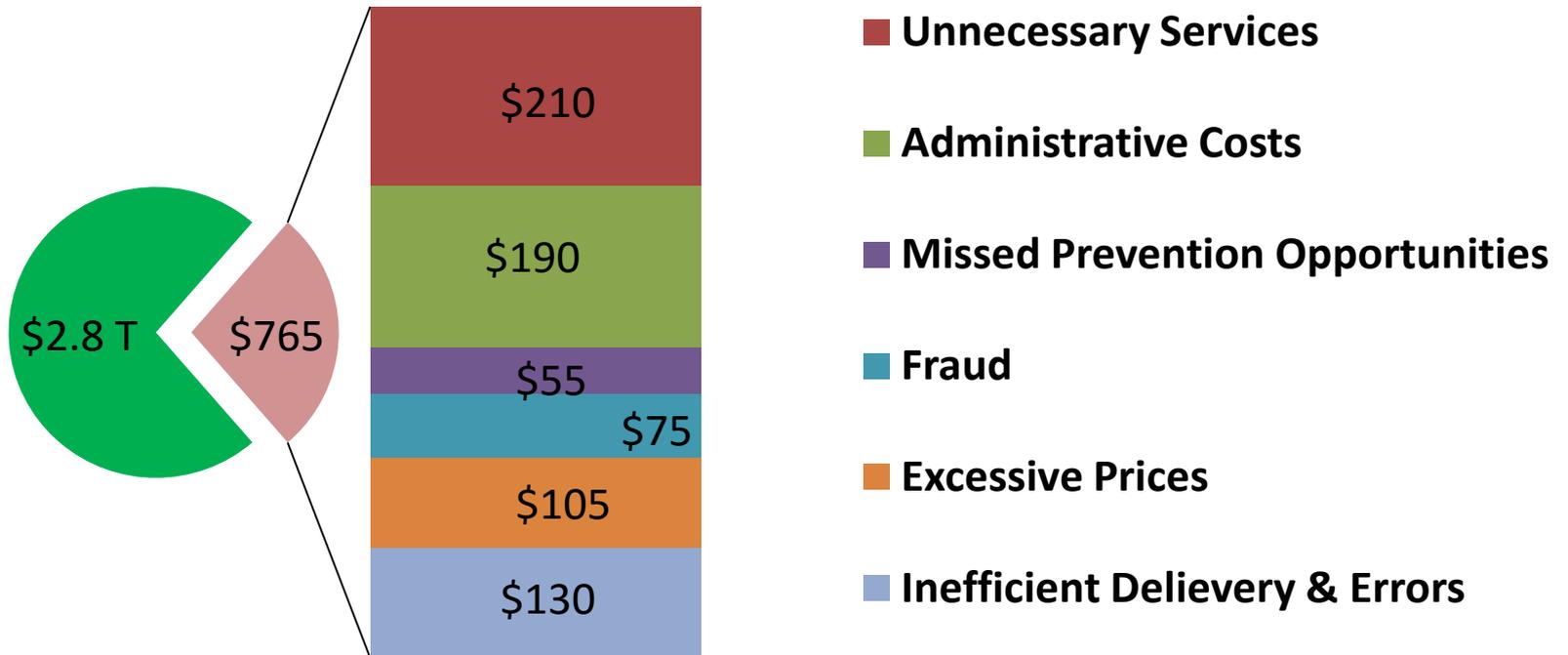
Inst. of Med., 2012
National Data



ColoradoCare will Significantly Reduce Waste

\$2.8 Trillion Annually

Health Care Costs (Billions)



Institute of Medicine, 2012



Organizations providing
health insurance
are subsidizing organizations
that *do not* provide insurance.





Self-insured organizations also pay for the waste in the current health care system.





Comprehensive Benefits

- Primary and specialty care
- Hospitalization
- Prescription drugs
- Medical equipment
- **Mental health & substance abuse services**
- Emergency & urgent care
- Preventive & wellness service
- Chronic disease management
- Rehabilitative services & devices
- **Pediatric care including oral, vision & hearing services**
- Laboratory services
- Maternity & newborn care
- Palliative & end-of- life care
- Some adult oral health benefits





Benefit Terms

- No Insurance Premiums
- No Deductibles
- No Co-pays - on preventive and primary care
- Your Choice of Provider
- Covers Everyone





ColoradoCare

- **Accountable** - 21 member elected board
- **Transparent** - everyone can see where the money is being spent
- **Serves the members**, not stockholders.
- **Removed from partisan politics.**





Employees (including part-time) pay **3.33% ***

Employers will pay **6.67%**

of salary

** Replacing your health care premiums and deductible*



Maximum taxable income \$350,000 single, \$450,000 couple



On \$50,000 annual Income
Employers pays \$278 monthly
Employees pay \$139 monthly



On \$100,000 annual Income
Employers pays \$556 monthly
Employees pay \$278 monthly



Non-payroll and Self Employed Income

May pay less than **10%** of Personal income*



*Is a deductible expense on federal and state taxes with an effective impact of 5.577% to 8.537% depending on your tax bracket if you itemize.



- \$25 billion in defined taxes is *better* than \$30 billion in uncontrolled insurance premiums and deductibles
- Health care taxes can only be increased by a vote of Colorado residents



Meaningful Reform Happens

- When financial incentives for families, doctors, hospitals and the paying entities are all in alignment
- Not from excess regulation



Let's Fix It

The health insurance system is broken and too expensive.



- Simplify
- Cover everyone with Colorado version of Medicare -for-all
- Take control back from the insurance companies



Summary Financials

<i>Data based off 2015 actual</i>	City	DDA	Library	PFA	All
Employer's annual employee payroll expense for health/medical benefits					\$ 13,584,073
Employer's personal health insurance costs (if sole proprietor)					1,826,416
Annual workers' comp insurance x 0.59 (59% of workers' comp covers medical)					933,497
Estimated annual expense for selecting and administering plans, including HR staff salaries, or weekends lost to insurance calculation tasks					Included above
Total current employer's expense (Line A)					\$ 16,343,986
2015 Salaries & Wages	\$ 96,470,354	\$ 365,978	\$ 3,979,232	\$ 15,888,371	116,703,936
Annual Colorado Care premiums = total annual payroll x .0667	6,434,573	24,411	265,415	1,059,754	7,784,153
Total ColoradoCare health care coverage employer's expense (Line B)	\$ 6,434,573	\$ 24,411	\$ 265,415	\$ 1,059,754	\$ 7,784,153
Expense reduction from using ColoradoCare					\$ 8,559,834

Note: Current benefit costs by entity not readily available, but can be provided if required.