

# City of Fort Collins, Colorado

Compliance Report  
December 31, 2014

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**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, 2014, 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 30, 2015. Our report includes a reference to the City's adoption of GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

**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.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Denver, Colorado  
June 30, 2015



**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 OMB Circular A-133**

**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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

## **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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2015, which contained unmodified opinions on those financial statements. Our audit report includes a reference to the City's adoption of GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. 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 OMB Circular A-133 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.

*McGladrey LLP*

Denver, Colorado  
July 10, 2015

**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Agriculture</b>			
(Passed through City of Greeley):			
Emergency Watershed Protection Program	10.923	68-8B05-A-13-01	\$ 148,220
<b>Department of Housing and Urban Development</b>			
Community Development Block Grants (Direct):			
Grant Year 2010 / 2011	14.218	B-10-MC-08-0008	33,500
Grant Year 2011 / 2012	14.218	B-11-MC-08-0008	(10)
Grant Year 2012 / 2013	14.218	B-12-MC-08-0008	24,190
Grant Year 2013 / 2014	14.218	B-13-MC-08-0008	718,260
Grant Year 2014 / 2015	14.218	B-13-MC-08-0009	592,057
Subtotal			1,367,997
Home Investment Partnership Programs (Direct):			
Grant Year 2010 / 2011	14.239	M-10-MC-08-0209	4,789
Grant Year 2012 / 2013	14.239	M-12-MC-08-0209	39,636
Grant Year 2013 / 2014	14.239	M-13-MC-08-0209	5,173
Grant Year 2014 / 2015	14.239	M-14-MC-08-0209	131,383
Subtotal			180,981
<b>Total Department of Housing and Urban Development</b>			1,548,978
<b>Department of Justice</b>			
(Passed through the Colorado Division of Criminal Justice):			
RJ JA Block Grant	16.523	11-DV-08-23	6,482
RJ Juvenile Diversion Grant	16.523	None	66,919
Subtotal			73,401
JAG Grant	16.738	2013-DJ-BX-0149	58,405
<b>Total Department of Justice</b>			131,806
<b>Office of National Drug Control Policy (Direct)</b>			
HIDTA Grant	95.001	G14RM0020A	137,787
<b>Department of Transportation</b>			
<b>National Highway Traffic Safety Administration</b>			
(Passed through Colorado Department of Transportation):			
DUI Grant	20.601	None	17,929
Police LEAF Grant	20.601	None	13,212
Subtotal			31,141
2013 Seatbelt Grant Click It or Ticket	20.604	None	6,988
<b>Total National Highway Traffic Safety Administration</b>			38,129

(Continued)

**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2014**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Federal Highway Administration</b>			
(Passed through Colorado Department of Transportation):			
Great Outdoors Colorado	20.205	STEM455-105	200,000
FC Bikes - CMAQ	20.205	14 HTD-649742	115,708
Jefferson Street/SH 14 Intersection	20.205	ACQ M455-088 (16525)	12,684
Drake/Shield Intersection Improvements	20.205	SHO M455-108 (19059)	36,256
Mason Street Transportation Corridor - NRRC Trail Underpass	20.205	AQC M455-071 (15279)	743,275
Bryan Ave Bridge at Larimer #2	20.205	BRO M455-092 (167984)	457,879
Shields/LaPorte Bridge Repairs	20.205	BRO M455-100 (17905)	73,077
North College CMAQ and Enhancement Program	20.205	ACQ M455-079 (16489)	32,002
US 287 - Conifer to Willox	20.205	STE M455-106 (18401)	299,706
Harmony Bridge Replacement	20.205	STU M455-092	9,972
Horsetooth/Timberline Improvements	20.205	ACQ M455-010 (19307)	263,446
Shields/Vine Intersection Improvements	20.205	STU M455-108 (18877)	149,010
<b>Total Federal Highway Administration</b>			<b>2,393,015</b>
<b>Federal Transit Administration (Cluster)</b>			
(Formula Grants - Capital 5309) (Direct):			
2010 Capital	20.500	CO-04-0086-00	58,516
2011 Capital - State of Good Repair	20.500	CO-04-0102-00	204,302
2009 Small Starts Mason Project	20.500	CO-03-0206-01	16,474,008
2011 Small Starts Mason Project	20.500	CO-04-0104-00	377,858
Subtotal			<b>17,114,684</b>
(Urbanized Area Formula Grants - 5307) (Direct):			
2013 Capital & Operating Grant	20.507	CO-90-X217-00	794,625
2012 Capital & Operating Grant	20.507	CO-90-X210-00	3,231
08/09 Flexed FHWA CMAQ	20.507	CO-95-X004-00	160,091
CMAQ 2012-2016 Flexed	20.507	CO-95-X015-00	1,153,853
			<b>2,111,800</b>
<b>Total Federal Transit Administration (Cluster)</b>			<b>19,226,484</b>
<b>Total Department of Transportation</b>			<b>21,657,628</b>
<b>Institute of Museum and Library Services (Direct)</b>			
IMLS High Park Fire	45.301	MA-10-13-0562-13	57,905

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**City of Fort Collins, Colorado**

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2014**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Environmental Protection Agency</b>			
(Passed through the Colorado Department of Public Health and Environment):			
2013-2014 Radon Grant	66.032	None	9,946
<b>Department of Veterans Affairs</b>			
Veterans Adaptive Sports Grant (Direct)	64.034	2015-ASG-16	213
(Passed through the U.S. Olympic Committee):			
VA Paralympics Grant	64.034	VA-ASP-2015-01	15,000
<b>Total Department of Veterans Affairs</b>			15,213
<b>Department of Energy (Direct)</b>			
ARRA - Smart Grid Investment Grant	81.122	DE-OE0000357	2,061,603
<b>Federal Emergency Management Agency (Direct)</b>			
FC-001 River Ponds Swr Headcut	97.036	None	9,719
FC-002 Pdre/Spg Crk Trail Bnk	97.036	None	836
FC-003 Gibbens Bank Repair	97.036	None	14,853
FC-004 ELC Trail/Bank repair	97.036	None	116,929
FC-007 Kingfisher Point Bank	97.036	None	62,548
FC-010 Arapahoe Bends Headcut	97.036	None	18,422
FC-018 Lincoln Brdg Revetment	97.036	None	975
FC-019 Prspct Rd Brdg Sed Rmvl	97.036	None	3,904
FC-020A Pdr Rvr Trl Slp-Timb R	97.036	None	95
FC-020B Pdr Rvr Trl Slp-Timb R	97.036	None	1,270
Engineering	97.036	None	433
L&P	97.036	None	4,551
Stormwater	97.036	None	4,607
Vegetative Debris Disposal	97.036	None	13,913
<b>Total Federal Emergency Management Agency</b>			253,055
<b>Total Expenditures of Federal Awards</b>			<b>\$ 26,022,141</b>

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, 2014

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#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fort Collins, Colorado (the City) and its discretely presented component unit for the year ended December 31, 2014. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. 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 fund balance/net position or cash flows of the City.

#### Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. In the governmental funds, revenue from federal grants is recognized when they become both measurable and available. For proprietary funds, revenue from federal grants is recognized when they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowed or are limited as to reimbursements. 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, 2014, as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant (CDBG) - Entitlement Grants	14.218	\$ 1,105,978
Home Investment Partnership Program	14.239	177,511
ARRA - Smart Grid Investment Grant	81.122	232,764

**City of Fort Collins, Colorado**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2014**

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Number	Comment	Status	Corrective Action or Other Explanation
<b>Findings Related to Federal Awards</b>			
<b>Significant Deficiency in Administering Federal Awards</b>			
2013-001	The City does not have an adequate system for ensuring that certain program income requirements of the CDBG program are being met.	Corrected	

**City of Fort Collins, Colorado**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2014**

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**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 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants
20.500 and 20.507	Federal Transit Administration Grants
81.122	ARRA - Smart Grid Investment Grant

Dollar threshold used to distinguish between type A and type B programs: \$780,664

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

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**City of Fort Collins, Colorado**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2014**

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**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, 2014**

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

