

CITY OF FLAGSTAFF, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2021



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**CITY OF FLAGSTAFF, ARIZONA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
SUMMARY OF AUDITORS' RESULTS	6
FINANCIAL STATEMENT FINDINGS	7
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

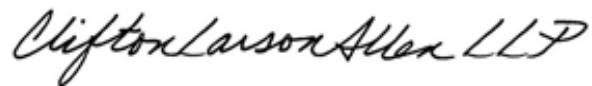
Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 16, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Flagstaff, Arizona's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 of Flagstaff, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

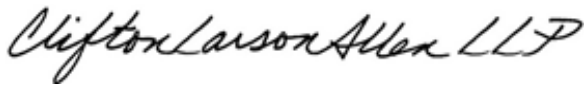
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 16, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
June 1, 2022

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS
Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
21.019	COVID-19 Coronavirus Relief Fund
14.218	CDBG – Entitlement Grants Cluster
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor / Pass-Through Grantor or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
Department of Agriculture				
Passed through Arizona Department of Forestry and Fire Management:				
Cooperative Forestry Assistance - Hazardous Fuels Program	10.664	WFHF 17-203	\$ 69,957	\$ -
Cooperative Forestry Assistance - Invasive Plant Program	10.664	IPG 18-701	851	-
Cooperative Forestry Assistance - Resource Enhancement and Engagement Program	10.664	TREE 18-102	2,000	-
Total 10.664			<u>72,808</u>	-
Cooperative Forestry Assistance - Hazardous Fuels Program	10.697	WFHF 18-203	35,927	-
Cooperative Forestry Assistance - Hazardous Fuels Program	10.697	WFHF 19-205	43,454	-
Total 10.697			<u>79,381</u>	-
Passed through The Watershed Training and Research Center:				
Cooperative Forestry Assistance - Adapted Learning Communities Network	10.698	329-20-150	4,002	-
Total Department of Agriculture			<u>156,191</u>	-
Department of Housing and Urban Development				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant 2018-2019	14.218	N/A	-	-
Community Development Block Grant 2019-2020	14.218	N/A	-	-
Community Development Block Grant 2020-2021	14.218	N/A	457,253	448,327
COVID-19 Community Development Block Grant	14.218	N/A	907,907	885,338
Program Income	14.218	N/A	292,460	-
Total CDBG - Entitlement Grants Cluster			<u>1,657,620</u>	<u>1,333,665</u>
Public and Indian Housing	14.850	N/A	273	-
Public and Indian Housing	14.850	N/A	103,497	-
Public and Indian Housing	14.850	N/A	151,413	-
Public and Indian Housing	14.850	N/A	250	-
Public and Indian Housing	14.850	N/A	143,025	-
Public and Indian Housing	14.850	N/A	189,945	-
COVID-19 Public and Indian Housing	14.850	N/A	29,979	-
COVID-19 Public and Indian Housing	14.850	N/A	41,508	-
Total 14.850			<u>659,890</u>	-
Section 8 Project-Based Cluster				
Lower Income Housing Assistance Program - Section 8 Moderate Rehab	14.856	N/A	88,641	-
Housing Voucher Cluster				
Section 8 Housing Choice Voucher	14.871	N/A	4,447,838	-
COVID-19 Section 8 Housing Choice Voucher	14.871	N/A	143,583	-
COVID-19 Emergency Housing Voucher	14.871	N/A	2,522	-
Total 14.871			<u>4,593,943</u>	-
COVID-19 Mainstream CARES Act Funding	14.879	N/A	1,577	-
Total Housing Voucher Cluster			<u>4,595,520</u>	-
Public Housing Capital Fund	14.872	N/A	196,733	-
Public Housing Capital Fund	14.872	N/A	644,589	-
Public Housing Capital Fund	14.872	N/A	15,073	-
Public Housing Capital Fund	14.872	N/A	78,728	-
Total 14.872			<u>935,123</u>	-
Total Department of Housing and Urban Development			<u>7,936,794</u>	<u>1,333,665</u>
Department of Interior				
Direct Programs:				
National Park Service Dispatch Services	15.954	N/A	5,000	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor / Pass-Through Grantor or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
Department of Justice				
Direct Programs:				
BJA FY 20 Coronavirus Emergency Supplemental Funding Program	16.034	N/A	\$ 20,093	\$ -
Passed through Arizona Criminal Justice Commission:				
COVID-19 Arizona Coronavirus Emergency Supplemental Funding Program	16.034	ACESF-21-011	65,331	-
Total 16.034			<u>85,424</u>	<u>-</u>
Direct Programs:				
Bulletproof Vest Partnership Program 2018	16.607	N/A	(378)	-
Bulletproof Vest Partnership Program 2020	16.607	N/A	9,067	-
Total 16.607			<u>8,689</u>	<u>-</u>
Passed through Phoenix Police Department:				
Arizona Internet Crimes Against Children Task Force	16.543	IGA-2019-162-AG2	8,572	-
Direct Programs:				
COPS Office Community Policing Development Micro Grants II - Officer Safety and Wellness Project	16.710	N/A	24,936	-
Passed through Arizona Criminal Justice Commission:				
Public Safety Partnership and Community Policing Grant	16.710	2017UMWX0125	5,450	-
Total 16.710			<u>30,386</u>	<u>-</u>
Direct Programs:				
Justice Assistance Grant Program	16.738	N/A	7,903	-
Justice Assistance Grant Program	16.738	N/A	14,321	-
Justice Assistance Grant Program	16.738	N/A	3,538	-
Passed through Arizona Criminal Justice Commission:				
Edward Byrne Memorial Justice Assistance Grant Program Cycle 34	16.738	DC-21-002	99,223	-
Total 16.738			<u>124,985</u>	<u>-</u>
Total Department of Justice			<u>258,056</u>	<u>-</u>
Department of Transportation				
Direct Programs:				
Airport Improvement Program - AIP 40 (Airport Wildlife Hazard Assessment)	20.106	N/A	(1)	-
Airport Improvement Program - AIP 42 (ARFF Vehicle and Equipment)	20.106	N/A	99,649	-
Airport Improvement Program - AIP 43 (Snow Removal Equipment)	20.106	N/A	1,338,084	-
Airport Improvement Program - AIP 44 (Snow Removal Equipment Building Design)	20.106	N/A	193,746	-
COVID-19 CARES Act Airport Improvement Program	20.106	N/A	2,267,498	-
Total 20.106			<u>3,898,976</u>	<u>-</u>
Highway Safety Cluster				
Passed through Arizona's Governor's Office of Highway Safety:				
State and Community Highway Safety - STEP Enforcement Materials, Supplies and Equipment	20.600	2021-PTS-021	5,398	-
Passed through Arizona's Governor's Office of Highway Safety:				
State and Community Highway Safety - AZ TraCS Equipment	20.616	2020-405c-004	-	-
State and Community Highway Safety - DUI Enforcement OT	20.616	2020-405d-013	1,456	-
State and Community Highway Safety - DUI Enforcement OT	20.616	2021-405d-014	7,753	-
State and Community Highway Safety - Youth Alcohol Enforcement	20.616	2020-405d-014	4,455	-
State and Community Highway Safety - Youth Alcohol Enforcement	20.616	2021-405d-013	3,367	-
Total 20.616			<u>17,031</u>	<u>-</u>
Total Highway Safety Cluster			<u>22,429</u>	<u>-</u>
Total Department of Transportation			<u>3,921,405</u>	<u>-</u>
Department of Treasury				
Passed through the Arizona Governor's Office:				
COVID-19 Coronavirus Relief Fund	21.019	ERMT-20-036	1,934,046	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF FLAGSTAFF, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor / Pass-Through Grantor or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
Institute Of Museum And Library Services				
<i>Passed through Arizona State Library, Archives and Public Records:</i>				
Grants to States - Indigenous Library Materials	45.310	2019-0010-0-H	\$ 2,671	\$ -
Grants to States - Xeriscape Garden at Tuba City	45.310	2020-0170-04	5,539	-
Grants to States - WiFi Expansion	45.310	2019LL-0030-WIFIEx	18,739	-
COVID-19 CARES Act Expanded - Accoutrements	45.310	2020-0720-22	2,277	-
COVID 19 - CARES Act Expanded - Laptops and Hotspots	45.310	2020-0720-21	1,894	-
Total Institute of Museum and Library Services			<u>31,120</u>	<u>-</u>
Environmental Protection Agency				
<i>Passed through Water Infrastructure Finance Authority of Arizona:</i>				
Clean Water State Revolving Fund Cluster				
Flagstaff Watershed Protection Project	66.458	CW-005-2020	331,977	-
Department of Homeland Security				
<i>Direct Programs:</i>				
Assistance to Firefighters - Regional Training	97.044	N/A	187,242	-
Assistance to Firefighters Grant - Breathing Apparatus	97.044	N/A	469,091	-
COVID-19 Assistance to Firefighters Grant - COVID PPE	97.044	N/A	15,659	-
Total 97.044			<u>671,992</u>	<u>-</u>
FEMA Floodplain Management Plan	97.045	N/A	47,122	-
FEMA SAFER Hiring	97.083	N/A	61,245	-
<i>Passed through Arizona Department of Homeland Security:</i>				
Strengthen Interoperable Communications	97.067	20-AZDOHS-HSGP-200103-01	7,780	-
Total Department of Homeland Security			<u>788,139</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,362,728</u>	<u>\$ 1,333,665</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF FLAGSTAFF, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Flagstaff, Arizona under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Flagstaff, Arizona.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST

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

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