

City of Colorado Springs

Single Audit Reports

Year Ended December 31, 2018

City of Colorado Springs
Year Ended December 31, 2018

Contents

Schedule of Expenditures of Federal Awards.....	1
Notes to Schedule of Expenditures of Federal Awards	6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	8
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	10
Schedule of Findings and Questioned Costs	13
Summary Schedule of Prior Audit Findings.....	17

City of Colorado Springs

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE						
Emergency Watershed Protection Program	Direct	U.S. Department of Agriculture	68-8B05-17-208	10.923	\$ 1,835,599	\$ -
<i>Emergency Watershed Protection Program Total</i>					<u>1,835,599</u>	<u>-</u>
Total U.S. Department of Agriculture					<u>\$ 1,835,599</u>	<u>\$ -</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
CDBG - Entitlement Grants Cluster						
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-14-MC-08-0004	14.218	\$ 132,232	\$ 132,232
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-15-MC-08-0004	14.218	66,181	26,571
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-16-MC-08-0004	14.218	383,009	113,566
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-17-MC-08-0004	14.218	758,942	303,076
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-18-MC-08-0004	14.218	943,088	550,420
<i>CDBG - Entitlement Grants Cluster Total</i>					<u>2,283,452</u>	<u>1,125,865</u>
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-14-MC-08-0002	14.231	30,625	30,625
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-16-MC-08-0004	14.231	45,820	45,820
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-17-MC-08-0004	14.231	146,281	144,083
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-18-MC-08-0004	14.231	149,538	135,705
<i>Emergency Solutions Grant Program Total</i>					<u>372,264</u>	<u>356,233</u>
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-14-MC-08-0203	14.239	36,323	-
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-15-MC-08-0203	14.239	397,291	181,392
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-16-MC-08-0203	14.239	72,446	32,170
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-17-MC-08-0203	14.239	410,402	203,357
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-18-MC-08-0203	14.239	53,795	-
<i>Home Investment Partnerships Program Total</i>					<u>970,257</u>	<u>416,919</u>
CDBG - Disaster Recovery						
Grants - Pub. L. No 113-2 Cluster						
Hurricane Sandy Community Development Block Grant						
Disaster Recovery Grants (CDBG-DR)	Pass-Through	Colorado Department of Public Safety	CDBGDR3-CCS-01	14.269	156,054	-
<i>CDBG - Disaster Recovery</i>					<u>156,054</u>	<u>-</u>
<i>Grants - Pub. L. No 113-2 Cluster Total</i>					<u>156,054</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 3,782,027</u>	<u>\$ 1,899,017</u>

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipients
U.S. DEPARTMENT OF THE INTERIOR						
Historic Preservation Fund Grants-In-Aid	Pass-Through	History Colorado, the Colorado Historical Society	CO-17-015	15.904	\$ 10,200	\$ -
<i>Historic Preservation Fund Grants-In-Aid Total</i>					<u>10,200</u>	<u>-</u>
Outdoor Recreation Acquisition, Development and Planning	Pass-Through	Colorado Parks & Wildlife	107201	15.916	400,000	-
<i>Outdoor Recreation Acquisition, Development and Planning Total</i>					<u>400,000</u>	<u>-</u>
Total U.S. Department of the Interior					<u>\$ 410,200</u>	<u>\$ -</u>
U.S. DEPARTMENT OF JUSTICE						
Missing Children's Assistance	Direct	U.S. Department of Justice	2015-MC-FX-K030	16.543	\$ 356,448	\$ 88,862
Missing Children's Assistance	Direct	U.S. Department of Justice	2018-MC-FX-K027	16.543	44,194	-
<i>Missing Children's Assistance Total</i>					<u>400,642</u>	<u>88,862</u>
Crime Victim Assistance	Pass-Through	Colorado Department of Public Safety	2016-VA-18-013667-04	16.575	252,589	-
<i>Crime Victim Assistance Total</i>					<u>252,589</u>	<u>-</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	Direct	U.S. Department of Justice	2017-WE-AX-0031	16.590	193,194	166,589
<i>Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program Total</i>					<u>193,194</u>	<u>166,589</u>
Public Safety Partnership and Community Policing Grants	Direct	U.S. Department of Justice	2014UMWX0087	16.710	32,961	-
<i>Public Safety Partnership and Community Policing Grants Total</i>					<u>32,961</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2015-DJ-BX-0137	16.738	31,032	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2016-DJ-BX-0164	16.738	31,876	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2017-DJ-BX-0247	16.738	187,413	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2018-DJ-BX-0104	16.738	19,294	-
<i>Edward Byrne Memorial Justice Assistance Grant Program Total</i>					<u>269,615</u>	<u>-</u>
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2016-DN-BX-0028	16.741	103,341	-
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2017-DN-BX-0010	16.741	110,807	-
<i>DNA Backlog Reduction Program Total</i>					<u>214,148</u>	<u>-</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	Pass-Through	Colorado Department of Public Safety	2017-DN-17-3	16.742	16,920	-
<i>Paul Coverdell Forensic Sciences Improvement Grant Program Total</i>					<u>16,920</u>	<u>-</u>
Equitable Sharing Program	Direct	U.S. Department of Justice	Not Provided	16.922	337,724	33,934
<i>Equitable Sharing Program Total</i>					<u>337,724</u>	<u>33,934</u>
Total U.S. Department of Justice					<u>\$ 1,717,793</u>	<u>\$ 289,385</u>

City of Colorado Springs

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2018

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION						
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-059-2016	20.106	\$ 23,945	\$ -
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-060-2017	20.106	3,895,132	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-061-2017	20.106	59,367	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-063-2018	20.106	401,634	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-062-2018	20.106	3,265,109	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-064-2018	20.106	2,970	-
<i>Airport Improvement Program Total</i>					7,648,157	-
Highway Planning and Construction Cluster						
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	ACQ M240-134 (18525)	20.205	57,411	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO M240-145 (19270)	20.205	19,584	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	TAP M240-149 (19811)	20.205	44,803	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-154 (19809)	20.205	10,036	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-148 (19450)	20.205	107	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STM M240-163 (21130)	20.205	1,028,896	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-133 (18373)	20.205	1,115,394	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-153 (19808)	20.205	438,151	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-167 (21745)	20.205	2,210	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-159 (19946)	20.205	372,518	-
<i>Highway Planning and Construction Cluster Total</i>					3,089,110	-
Federal Transit Cluster						
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-90-X205	20.507	1,921	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X019	20.507	3	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X019	20.507	475,655	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	2,521	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	26,954	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	92,003	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	884	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	108	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-2018-012-00	20.507	17,207,011	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-2019-010-00	20.507	383,334	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-2019-010-00	20.507	62,150	-
Bus and Bus Facilities Formula Program (Bus Program)	Direct	U.S. Department of Transportation	CO-2019-010-00	20.526	81,951	-
<i>Federal Transit Cluster Total</i>					18,334,495	-

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipients
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-16-X047-00	20.513	64,107	3,818
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-2017-021	20.513	94,426	-
<i>Transit Services Programs Cluster Total</i>					158,533	3,818
Highway Safety Cluster						
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	PO411014656	20.600	30,290	-
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	PO411017297	20.600	16,400	-
National Priority Safety Programs	Pass-Through	Colorado Department of Transportation	PO411016571	20.616	5,000	-
<i>Highway Safety Cluster Total</i>					51,690	-
Total U.S. Department of Transportation					\$ 29,281,985	\$ 3,818
EXECUTIVE OFFICE OF THE PRESIDENT						
High Intensity Drug Trafficking Areas Program	Pass-Through	El Paso County Sheriff's Office	G18RM0034A	95.001	\$ 215,666	\$ -
<i>High Intensity Drug Trafficking Areas Program Total</i>					215,666	-
Total Executive Office of the President					\$ 215,666	\$ -

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-Through	Colorado Department of Public Safety	FEMA-DR-4229-CO: 15-D4229-003	97.036	\$ 98,626	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-Through	Colorado Department of Public Safety	FEMA-DR-4145-CO: 14-L4145-034	97.036	13,655	-
<i>Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total</i>					<u>112,281</u>	<u>-</u>
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	HMGP-4229 17-D4229-6R	97.039	62,026	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	MG4145077076	97.039	19,400	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	MG4145057112	97.039	135,516	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	MG4145066076	97.039	3,546,017	-
<i>Hazard Mitigation Grant</i>					<u>3,762,959</u>	<u>-</u>
Emergency Management Performance Grants	Pass-Through	Colorado Department of Public Safety	18EM-19-62	97.042	90,000	-
<i>Emergency Management Performance Grants</i>					<u>90,000</u>	<u>-</u>
Assistance to Firefighters Grant	Direct	U.S. Department of Homeland Security	EMW-2016-FO-06926	97.044	136,150	-
<i>Assistance to Firefighters Grant Total</i>					<u>136,150</u>	<u>-</u>
Pre-Disaster Mitigation	Pass-Through	Colorado Department of Public Safety	16PDM18CS	97.047	265,942	-
<i>Pre-Disaster Mitigation Total</i>					<u>265,942</u>	<u>-</u>
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	15SHS16SCR	97.067	15,735	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	16SHS17SCR	97.067	152,300	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	17SHS18SCR	97.067	61,431	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	18SHS19SCR	97.067	172,802	-
<i>Homeland Security Grant Program Total</i>					<u>402,268</u>	<u>-</u>
Total U.S. Department of Homeland Security					<u>\$ 4,769,600</u>	<u>\$ -</u>
Total Federal Expenditures					<u>\$ 42,012,870</u>	<u>\$ 2,192,220</u>

City of Colorado Springs
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the primary government of the City of Colorado Springs (the City) under programs of the federal government for the year ended December 31, 2018. The accompanying notes are an integral part of this Schedule. The City's reporting entity is defined in note I.A in the City's basic financial statements for the year ended December 31, 2018.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The Schedule includes federally funded projects received directly from federal agencies and the federal amount of pass-through awards received by the City through the State of Colorado or other non-federal entities.

The City's basic financial statements include the operations of Colorado Springs Utilities (CSU), an enterprise fund of the City of Colorado Springs, which expended \$56,000 in federal awards, which are not included in the Schedule for the year ended December 31, 2018.

(2) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The City's summary of significant accounting policies is presented in note I.D to the City's basic financial statements for the year ended December 31, 2018. Such expenditures are recognized following, as applicable, the cost principles in Circular OMB A-87 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements or reports to federal agencies. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Colorado Springs
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

(3) Revolving Loan Funds

The City has certain revolving loan funds as follows:

14.218 - Community Development Block	
Grants - Entitlement Grants	\$ 10,176,982
14.239 - HOME Investment Partnership Program	<u>15,945,482</u>
	<u>\$ 26,122,464</u>

These loans do not have continuing compliance requirements and have not been included in the accompanying Schedule.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members
of City Council and City Auditor
City of Colorado Springs
Colorado Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Colorado Springs (the City), as of and for the year ended December 31, 2018, 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 6, 2019. Our report includes emphasis of matter paragraphs for a change in accounting principle, reference to other auditors who audited the financial statements of the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network, and a reference to other auditors who audited the financial statements of Colorado Springs Utilities, presented as an enterprise fund, and the financial statements of Public Authority for Colorado Energy, presented as a blended component unit (enterprise fund), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network, were not audited in accordance with *Government Auditing Standards*, nor were the financial statements of Public Authority for Colorado Energy, presented as a blended component unit.

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.

Honorable Mayor and Members
of City Council and City Auditor
City of Colorado Springs

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

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*.

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
June 6, 2019

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance**

Independent Auditor's Report

Honorable Mayor and Members
of City Council and City Auditor
City of Colorado Springs
Colorado Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Colorado Spring'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, 2018. 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.

The City's basic financial statements include the operations of the Colorado Springs Utilities (CSU), presented as an enterprise fund, which expended \$56,000 in federal awards, which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2018. Our audit, described below, did not include the operations of CSU because the enterprise fund engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

Honorable Mayor and Members of City Council
and City Auditor
City of Colorado Springs

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, 2018.

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 City Council
and City Auditor
City of Colorado Springs

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 6, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Other auditors audited the financial statements of the discretely presented component units, except the Colorado Springs Health Foundation and the Pikes Peak Regional Communications Network and other auditors audited the financial statements of Colorado Springs Utilities, presented as an enterprise fund, and the financial statements of Public Authority for Colorado Energy, presented as a blended component unit (enterprise fund). 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Colorado Springs, Colorado
June 6, 2019

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

8. The threshold to distinguish between Type A and Type B programs was \$1,260,386.
9. Auditee qualified as low-risk auditee? Yes No

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2018-001	<p>Finding: Classification of Grant Local Matching Funds</p> <p>Criteria or Specific Requirement: Management is responsible for the generation and presentation of accurate financial reporting. An important component of financial reporting is appropriate review and implementation of relevant accounting standards. City staff responsible for the review and interpretation of such standards have the appropriate level of expertise to accomplish this.</p> <p>Condition: Due to the City and Airport management interpretation of GASB Statement No. 33, the Airport recognized unearned revenue as a result of an internal transfer of Airport funds from an unrestricted account into the Airport's grant fund. This transfer represented the Airport's internal matching funds as prescribed by the grant agreement, and those matching funds had not been utilized at fiscal year-end.</p> <p>Effect: As unearned revenue cannot be recognized as a result of an internal transfer, unearned revenue was overstated. An adjustment of \$1.2 million to decrease unearned revenue and increase grant revenue in 2018 was proposed, and recorded by the Airport.</p> <p>Cause: City and Airport management interpreted GASB Statement No. 33 such that unearned revenue should be recognized at fiscal year-end for the unused portion of the internal funds set aside for the Airport's grant match.</p> <p>Recommendation: We recommend City and Airport management modify its interpretation of GASB Statement No. 33 such that they do not reflect unused internal matching funds as unearned revenue on the financial statements.</p> <p>Views of Responsible Officials: The City agrees with the finding. See separate auditee document for further information.</p>

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
-----------------------------	----------------

No matters are reportable.

City of Colorado Springs
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018

Reference Number	Finding
-----------------------------	----------------

No matters are reportable.