

City of Colorado Springs

Single Audit Reports

Year Ended December 31, 2017

City of Colorado Springs
Year Ended December 31, 2017

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City of Colorado Springs

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2017

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
U.S. DEPARTMENT OF AGRICULTURE						
Emergency Watershed Protection Program	Direct	U.S. Department of Agriculture	68-8B05-16-203	10.923	\$ 151,058	\$ -
Emergency Watershed Protection Program	Direct	U.S. Department of Agriculture	68-8B05-16-203	10.923	707,886	-
Emergency Watershed Protection Program	Direct	U.S. Department of Agriculture	68-8B05-16-203	10.923	4,046	-
Emergency Watershed Protection Program	Pass-Through	Colorado Department of Natural Resources	CTGG1 2017-1609 CMS97304	10.923	370,119	-
Emergency Watershed Protection Program	Pass-Through	Colorado Department of Natural Resources	CTGG1 2017-1609 CMS97834	10.923	644,490	-
Emergency Watershed Protection Program	Direct	U.S. Department of Agriculture	68-8B05-17-208	10.923	215,654	-
<i>Emergency Watershed Protection Program Total</i>					2,093,253	-
Total U.S. Department of Agriculture					\$ 2,093,253	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Community Development Block Grants - 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	\$ 293,390	\$ 100,000
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-15-MC-08-0004	14.218	658,257	576,002
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-16-MC-08-0004	14.218	1,107,980	258,789
Community Development Block Grants - Entitlement Grants	Direct	U.S. Department of Housing and Urban Development	B-17-MC-08-0004	14.218	702,833	275,268
<i>Community Development Block Grants - Entitlement Grants Cluster Total</i>					2,762,460	1,210,059
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-14-MC-08-0002	14.231	18,375	18,375
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-15-MC-08-0004	14.231	43,775	30,698
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-16-MC-08-0004	14.231	145,373	145,373
Emergency Solutions Grant Program	Direct	U.S. Department of Housing and Urban Development	E-17-MC-08-0004	14.231	17,343	-
<i>Emergency Solutions Grant Program Total</i>					224,866	194,446
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-14-MC-08-0203	14.239	70,144	-
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-15-MC-08-0203	14.239	295,775	259,552
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-16-MC-08-0203	14.239	749,660	639,085
Home Investment Partnerships Program	Direct	U.S. Department of Housing and Urban Development	M-17-MC-08-0203	14.239	260,668	-
<i>Home Investment Partnerships Program Total</i>					1,376,247	898,637
Community Development Block Grants - 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	1,804,686	-
<i>Community Development Block Grants - Disaster Recovery Grants - Pub. L. No 113-2 Cluster Total</i>					1,804,686	-
Total U.S. Department of Housing and Urban Development					\$ 6,168,259	\$ 2,303,142

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2017

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
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	\$ 5,550	\$ -
<i>Historic Preservation Fund Grants-In-Aid Total</i>					<u>5,550</u>	<u>-</u>
Total U.S. Department of the Interior					<u>\$ 5,550</u>	<u>\$ -</u>
U.S. DEPARTMENT OF JUSTICE						
Missing Children's Assistance	Direct	U.S. Department of Justice	2015-MC-FX-K030	16.543	\$ 327,454	\$ 70,420
<i>Missing Children's Assistance Total</i>					<u>327,454</u>	<u>70,420</u>
Crime Victim Assistance	Pass-Through	Colorado Department of Public Safety	2015-VX-15-009574-04	16.575	4,160	-
Crime Victim Assistance	Pass-Through	Colorado Department of Public Safety	2015-VA-GX-0040	16.575	173,959	-
<i>Crime Victim Assistance Total</i>					<u>178,119</u>	<u>-</u>
Public Safety Partnership and Community Policing Grants	Direct	U.S. Department of Justice	2014UMWX0087	16.710	144,869	-
<i>Public Safety Partnership and Community Policing Grants Total</i>					<u>144,869</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2014-DJ-BX-0817	16.738	31,036	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2015-DJ-BX-0137	16.738	109,497	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2015-DE-BX-K059	16.738	97,685	-
Edward Byrne Memorial Justice Assistance Grant Program	Direct	U.S. Department of Justice	2016-DJ-BX-0164	16.738	221,300	-
<i>Edward Byrne Memorial Justice Assistance Grant Program Total</i>					<u>459,518</u>	<u>-</u>
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2015-DN-BX-0025	16.741	79,499	-
DNA Backlog Reduction Program	Direct	U.S. Department of Justice	2016-DN-BX-0028	16.741	46,279	-
<i>DNA Backlog Reduction Program Total</i>					<u>125,778</u>	<u>-</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	Direct	U.S. Department of Justice	2015-CD-BX-0014	16.742	9,417	-
Paul Coverdell Forensic Sciences Improvement Grant Program	Pass-Through	Colorado Department of Public Safety	2016-CD-BX-0009	16.742	16,796	-
<i>Paul Coverdell Forensic Sciences Improvement Grant Program Total</i>					<u>26,213</u>	<u>-</u>
Equitable Sharing Program	Direct	U.S. Department of Justice	Not Provided	16.922	92,199	-
<i>Equitable Sharing Program Total</i>					<u>92,199</u>	<u>-</u>
Total U.S. Department of Justice					<u>\$ 1,354,150</u>	<u>\$ 70,420</u>

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2017

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
I.S. DEPARTMENT OF TRANSPORTATION						
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-058-2015	20.106	\$ 84,319	\$ -
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-059-2016	20.106	51,459	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-060-2017	20.106	3,690,715	-
Airport Improvement Program	Direct	U.S. Department of Transportation	3-08-0010-061-2017	20.106	312,803	-
<i>Airport Improvement Program Total</i>					4,139,296	-
Highway Planning and Construction Cluster						
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	ACQ M240-134 (18525)	20.205	91,993	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO M240-145 (19270)	20.205	83,902	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO M240-146 (19271)	20.205	855	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STE M240-147 (19337)	20.205	143,688	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	TAP M240-149 (19811)	20.205	20,169	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-154 (19809)	20.205	1,161	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-150 (19601)	20.205	1,106	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-152 (19794)	20.205	70,375	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-160 (19945)	20.205	8,177	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	BRO M240-155 (19810)	20.205	205	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-148 (19450)	20.205	6,176,276	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STM M240-163 (21130)	20.205	128,716	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-133 (18373)	20.205	1,538	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SAR M240-143 (19251)	20.205	11,469	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SAR M240-139 (18673)	20.205	4,565	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	AQC M240-133 (18373)	20.205	1,528,896	-
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M240-153 (19808)	20.205	298,595	-
<i>Highway Planning and Construction Cluster Total</i>					8,571,686	-
Federal Transit Cluster						
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X019	20.507	104	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X019	20.507	2,445	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	1,479	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	5,463	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	58,555	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	708	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	175,867	-
Federal Transit — Formula Grants (Urbanized Area Formula Program)	Direct	U.S. Department of Transportation	CO-95-X023-00	20.507	58,114	-
Bus and Bus Facilities Formula Program (Bus Program)	Direct	U.S. Department of Transportation	1137-2017-2	20.526	1,401,270	-
<i>Federal Transit Cluster Total</i>					1,704,005	-

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2017

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-16-X047-00	20.513	72,904	17,860
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-16-X044-00	20.513	42,941	-
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	U.S. Department of Transportation	CO-2017-021	20.513	3,359	-
New Freedom Program	Direct	U.S. Department of Transportation	CO-57-X011-00	20.521	51,162	-
<i>Transit Services Programs Cluster Total</i>					170,366	17,860
Highway Safety Cluster						
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	411010652	20.600	61,714	-
State and Community Highway Safety	Pass-Through	Colorado Department of Transportation	411014656	20.600	3,710	-
National Priority Safety Programs	Pass-Through	Colorado Department of Transportation	PO411012755	20.616	4,667	-
<i>Highway Safety Cluster Total</i>					70,091	-
Total U.S. Department of Transportation					\$ 14,655,444	\$ 17,860
U.S. DEPARTMENT OF VETERANS AFFAIRS						
VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	Direct	U.S. Department of Veterans Affairs	2017-ASG-19	64.034	\$ 11,993	\$ -
<i>VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces</i>					11,993	-
Total U.S. Department of Veterans Affairs					\$ 11,993	\$ -
EXECUTIVE OFFICE OF THE PRESIDENT						
High Intensity Drug Trafficking Areas Program	Pass-Through	El Paso County Sheriff's Office	G17RM0034A	95.001	\$ 121,634	\$ -
<i>High Intensity Drug Trafficking Areas Program Total</i>					121,634	-
Total Executive Office of the President					\$ 121,634	\$ -

City of Colorado Springs
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2017

Cluster/Program	Direct/Pass-Through	Federal Agency/Pass-through Entity	Identifying Grant Number	CFDA Number	Amount	Amount Paid to Subrecipient
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	\$ 1,161,504	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-Through	Colorado Department of Public Safety	FEMA-DR-4145-CO: 14-L4145-034	97.036	293,438	-
<i>Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total</i>					<u>1,454,942</u>	<u>-</u>
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	MG4145077076	97.039	117	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	HMGP 4145 Project 77-R	97.039	240,979	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	MG4145057112	97.039	20,288	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	HMGP 4145 Project 66-R	97.039	312,492	-
Hazard Mitigation Grant	Pass-Through	Colorado Department of Public Safety	53-R	97.039	30,316	-
<i>Hazard Mitigation Grant</i>					<u>604,192</u>	<u>-</u>
Emergency Management Performance Grants	Pass-Through	Colorado Department of Public Safety	17EM-18-83	97.042	90,000	-
<i>Emergency Management Performance Grants</i>					<u>90,000</u>	<u>-</u>
Pre-Disaster Mitigation	Pass-Through	Colorado Department of Public Safety	11PDM13COS	97.047	56,932	-
<i>Pre-Disaster Mitigation Total</i>					<u>56,932</u>	<u>-</u>
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	15SHS16SCR	97.067	137,261	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	16SHS17SCR	97.067	126,889	-
Homeland Security Grant Program	Pass-Through	Colorado Department of Public Safety	17SHS18SCR	97.067	142,194	-
<i>Homeland Security Grant Program Total</i>					<u>406,344</u>	<u>-</u>
Total U.S. Department of Homeland Security					<u>\$ 2,612,410</u>	<u>\$ -</u>
Total Federal Expenditures					<u>\$ 27,022,693</u>	<u>\$ 2,391,422</u>

City of Colorado Springs
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

(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, 2017. 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, 2017.

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 \$1,050,769 in federal awards, which are not included in the Schedule for the year ended December 31, 2017.

(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.A to the City's basic financial statements for the year ended December 31, 2017. Such expenditures are recognized following, as applicable, the cost principles in 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, 2017

(3) Revolving Loan Funds

The City has certain revolving loan funds as follows:

14.218 - Community Development Block Grants - Entitlement Grants	\$ 6,318,611
14.239 - HOME Investment Partnership Program	<u>13,513,232</u>
	<u>\$ 19,831,843</u>

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

**Independent Auditor's 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**

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, 2017, 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, 2018. Our report includes 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 was 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 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.

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. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Colorado Springs, Colorado
June 6, 2018

**Independent Auditor's 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**

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, 2017. 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 received \$1,050,769 in federal awards, which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2017. 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 program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

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, 2017, 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, 2018, which contained unmodified opinions on those financial statements. Our audit was performed 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 27, 2018

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2017

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.923	Emergency Watershed Protection Program
14.269	Community Development Block Grants - Disaster Recovery Grants - Pub. L. No 113-2 Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster

8. The threshold to distinguish between Type A and Type B programs was \$810,681.

9. Auditee qualified as low-risk auditee? Yes No

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2017

Section II – Financial Statement Findings

Reference Number	Findings
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No matters are reportable

City of Colorado Springs
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2017

Section III – Federal Award Findings and Questioned Costs

Reference Number	Findings
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No matters are reportable

City of Colorado Springs
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

Reference Number	Name of Federal Program or Cluster	CFDA No.	Summary of Finding	Status
2016-001	N/A – CAFR/ Airport	N/A – CAFR/ Airport	<i>Construction in Progress Reconciliation</i> Recommendation that the Airport ensure that construction in process is reconciled more frequently than at year-end, including tracking additions and transfers. We also recommend the Airport accounting personnel continue working with project management from inception to hone tracking mechanisms, which are useful for both program financial assurance and financial reporting.	Implemented
2016-002	N/A – CAFR/ Airport	N/A – CAFR/ Airport	<i>Insurance Settlement</i> Recommendation that the Airport implement a procedure to identify atypical transactions, such as a one-time insurance recovery, in order to properly record revenue transactions when the amounts are measurable and realizable.	Implemented
2016-003	Community Development Block Grants/Entitlement Grants	14.218	<i>Special Tests and Provisions</i> Recommendation that appropriate management oversight be utilized to ensure that all reviews are completed in accordance with City policies and controls.	Implemented