

# City of Flagstaff, Arizona Council Meeting June 30, 2022

April 18, 2023

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



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# June 30, 2022 Audit Summary

- Reports Issued
  - Governance Communication
  - Annual Comprehensive Financial Report
  - Single Audit Report
  - Passenger Facility Charge Report
  - Highway User Revenue Report
  - Annual Expenditure Limitation Report
  - HUD Real Estate Assessment Report
  - Landfill Assurance Agreed Upon Procedures
  - Court Agreed Upon Procedures



# Annual Comprehensive Financial Report (ACFR)

- Unmodified (“clean”) opinion
  - Audit basic financial statements
  - Provide an in-relation-to opinion on the combining and individual nonmajor fund financial statements and schedules
  - Provide an in-relation-to opinion on the financial data submission schedules
  - Disclaim an opinion on the required supplementary information, introductory section and statistical section

# ACFR

- Risk Based Approach
  - Management override of controls
  - Revenue recognition
    - ◇ Assertions: Existence and Cut-off
  - Financial close
  - New Lease Standard

# Single Audit

- *Government Auditing Standards*  
Report – Report on internal controls;  
do not provide an opinion
  - No material weaknesses
  - No significant deficiencies

# Single Audit Report

- Report on compliance for each major program, on internal control over compliance and the schedule of federal expenditures
  - Provide an opinion on compliance
  - Do not provide an opinion on controls, but report on controls
  - Provide an in-relation-to opinion on the schedule of federal expenditures



# Single Audit Report

- Major Programs Tested
  - 14.871 and 14.879 – Housing Voucher Cluster (\$4,816,332)
  - 20.106 – Airport Improvement Program (\$2,712,510)
  - 21.027 – ARPA – Local Fiscal Recovery (\$10,218,692)
- Schedule of Expenditures of Federal Awards
  - Total Federal Awards Expended: \$27,371,431
  - Total Coverage: 65%
- Results
  - Unmodified (“clean”) opinion
  - No significant deficiencies or material weaknesses over compliance



# Passenger Facility Charge (PFC) Audit

- Report on compliance for the use of passenger facility charges and on internal control over compliance and the schedule of PFC expenditures
  - Provide an opinion on compliance
  - Do not provide an opinion on controls, but report on controls
  - Provide an in-relation-to opinion on the schedule of PFC expenditures



# Highway User Revenue Fund (HURF)

- Provide an examination opinion on compliance with Arizona Revised Statutes
- Select a sample of:
  - Accounts payable disbursements
  - Payroll and payroll related disbursements
  - Transfers
- Issued a clean opinion, no findings



# Agreed Upon Procedures

- Issued a clean opinion, no findings
- Test specific attributes outlined in the agreed upon procedures
- Landfill Assurance
- HUD REAC Assessment
- AZ Supreme Court Minimum Accounting Standard



# GASB Pronouncements Implemented in 2022

**GASB Statement No. 87, Leases** – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The Requirements of this statement are effective for reporting periods beginning after **December 15, 2020**. Based on our preliminary review of this Statement, the standard would require the City to record a liability and an intangible right-to-use lease asset for all non-current (greater than 12 months) leases. There would be little or no change in existing capital leases. The impact of recording the new liabilities on the City’s legal debt margins and coverage calculations would require review and discussion with the City legal, accounting and financial advisors.



Ann Fang, CPA

Manager

[Ann.Fang@CLAconnect.com](mailto:Ann.Fang@CLAconnect.com)

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