



City of Flagstaff, Arizona
Single Audit Report
Year Ended June 30, 2023

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For the Year Ended June 30, 2023**

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**Independent Auditor’s 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

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 City of Flagstaff, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Flagstaff, Arizona’s basic financial statements, and have issued our report thereon dated December 20, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Flagstaff, Arizona’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 City of Flagstaff, Arizona’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Flagstaff, Arizona’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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Flagstaff, Arizona'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 entity'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.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Flagstaff, Arizona’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Flagstaff, Arizona’s major federal programs for the year ended June 30, 2023. City of Flagstaff, Arizona’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Flagstaff, Arizona complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Flagstaff, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Flagstaff, Arizona’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Flagstaff, Arizona’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Flagstaff, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Flagstaff, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Flagstaff, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Flagstaff, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Flagstaff, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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 City of Flagstaff, Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Flagstaff, Arizona's basic financial statements. We issued our report thereon dated December 20, 2023, 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 taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023

City of Flagstaff, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Subrecipients/ Pass-through
Department of Agriculture				
<i>Direct Programs:</i>				
Emergency Watershed Protection Program	10.923	N0422EWP0010118	1,718,026	
Subtotal			1,718,026	
<i>Passed through Arizona Department of Forestry and Fire Management:</i>				
State & Private Forestry Hazardous Fuel Reduction Program	10.697	WFHF 19-205	28,229	
State & Private Forestry Hazardous Fuel Reduction Program	10.697	WFHF 20-202	77,053	
State & Private Forestry Hazardous Fuel Reduction Program	10.697	NFHF 21-202	13,027	
Subtotal			118,309	
<i>Passed through Watershed Training and Research Center:</i>				
State & Private Forestry Cooperative Fire Assistance	10.698	428-21-114	8,006	
Subtotal			8,006	
Total Department of Agriculture			1,844,341	
Department of Housing and Urban Development				
<i>Direct Programs:</i>				
CDBG-Entitlement Grants Cluster:				
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-04-0510	61,041	31,000
Total CDBG-Entitlement Grants Cluster			61,041	31,000
Public Housing Operating Fund	14.850	AZ006-00000123D	159,053	
Public Housing Operating Fund	14.850	AZ006-00000122D	112,515	
Public Housing Operating Fund	14.850	AZ006-00000121D	152,828	
Public Housing Operating Fund	14.850	AZ006-00000223D	192,915	
Public Housing Operating Fund	14.850	AZ006-00000222D	176,240	
Subtotal			793,551	
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	AZ006MRO001 / AZ006SRO001	77,216	
Section 8 Housing Choice Vouchers	14.871	AZ006	5,339,024	
COVID-19 Section 8 Housing Choice Vouchers	14.871	AZ006	416,655	
Subtotal			5,755,679	
Public Housing Capital Fund	14.872	AZ20P006501-20	43,889	
Public Housing Capital Fund	14.872	AZ20P006501-21	346,696	
Public Housing Capital Fund	14.872	AZ20P006501-22	9,091	
Subtotal			399,676	
COVID-19 Mainstream Vouchers	14.879	AZ006	160,143	
Total Department of Housing and Urban Development			7,247,306	31,000
Department of Interior				
<i>Direct Programs:</i>				
National Park Service Conservation, Protection, Outreach, and Education	15.954	FY18-22-NPS	5,000	
Total Department of Interior			5,000	
Department of Justice				
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	DOJ-2021-BVP	9,860	
Bulletproof Vest Partnership Program	16.607	DOJ-2022-BVP	14,485	
Subtotal			24,345	
Public Safety Partnership and Community Policing Grants	16.710	2020CKWX0018	33,504	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01158-JAGX	10,431	8,202
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG-02570-JAGX	37,197	11,061
Subtotal			47,628	19,263
<i>Passed through Arizona Criminal Justice Commission:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-23-002	86,448	
Total Department of Justice			191,925	19,263

City of Flagstaff, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Subrecipients/ Pass-through
Department of Transportation				
<i>Direct Programs:</i>				
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-044-2020	86,480	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-045-2020	3,436,535	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-046-2021	320,726	
COVID-19 Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	3-04-0015-048-2021	533,277	
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	U.S. DOT-OST-2011-0119-0025	8,402	
Subtotal			<u>4,385,420</u>	
Highway Planning and Construction	20.205	STBGP/PFM2203P/FMPT022	153,408	
<i>Passed through Arizona's Governor's Office of Highway Safety:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	2022-AI-004	2,685	
State and Community Highway Safety	20.600	2023-AI-004	35,780	
State and Community Highway Safety	20.600	2023-AL-015	9,908	
Subtotal			<u>48,373</u>	
National Priority Safety Programs	20.616	2022-405d-017	3,865	
National Priority Safety Programs	20.616	2022-405d-016	8,902	
National Priority Safety Programs	20.616	2023-405d-014	12,606	
National Priority Safety Programs	20.616	2023-II-002	20,934	
Subtotal			<u>46,307</u>	
Total Highway Safety Cluster			94,680	
<i>Passed through Arizona State Parks and Trails:</i>				
Recreational Trails Program	20.219	ASPT 472303/ADOT M472303P/RTP-F-101	7,638	
Total Department of Transportation			<u>4,641,146</u>	
Department of Treasury				
<i>Direct Programs:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		338,108	239,559
<i>Passed through Arizona Office of Tourism:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-11112021-02-03	28,152	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-11112021-02-04	166,869	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-09162022-02-037	29,046	
Subtotal			<u>224,067</u>	
Total Department of Treasury			<u>562,175</u>	239,559
Institute Of Museum And Library Services				
<i>Passed through Arizona State Library, Archives and Public Records:</i>				
COVID-19 Grants to States	45.310	2021-ARPA-21	3,101	
Grants to States	45.310	2022-0260-04	15,000	
Grants to States	45.310	2022-0340-S2	4,000	
Grants to States	45.310	2022-0170-T4	2,281	
Grants to States	45.310	2022-0230-01	11,288	
Total Institute of Museum and Library Services			<u>35,670</u>	
Environmental Protection Agency				
<i>Passed through Water Infrastructure Finance Authority of Arizona:</i>				
Clean Water State Revolving Fund (CWSRF) Cluster:				
Clean Water State Revolving Fund	66.458	CW-005-2020	4,097	
Total Clean Water State Revolving Fund (CWSRF) Cluster			<u>4,097</u>	
Total Environmental Protection Agency			<u>4,097</u>	
Department of Homeland Security				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-04025	42,120	
Subtotal			<u>42,120</u>	
Cooperating Technical Partners	97.045	EMF-2018-CA-00010	72,998	
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2020-FF-01522	454,632	
<i>Passed through Arizona Department of Emergency and Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SD2202	5,000	
BRIC: Building Resilient Infrastructure and Communities	97.047	PDMC-PJ-09-AZ-2019-016	19,671	
Total Department of Homeland Security			<u>594,421</u>	
Total Expenditures of Federal Awards			<u>15,126,081</u>	<u>289,822</u>

City of Flagstaff, Arizona
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of City of Flagstaff, Arizona under programs of the federal government for the year ended June 30, 2023. The information in the 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 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. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Indirect Cost Rate

The auditee did not use the de minimis indirect cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**City of Flagstaff, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

Assistance Listing Numbers

10.923

20.106

Name of Federal Programs or Clusters

Emergency Watershed Protection Program

Airport Improvement Program

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

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No