

CITY OF LADUE, MISSOURI

SINGLE AUDIT REPORT

DECEMBER 31, 2015

CITY OF LADUE, MISSOURI
SINGLE AUDIT REPORT
LADUE, MISSOURI

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CITY OF LADUE, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>GRANT NUMBER</u>	<u>CFDA NUMBER</u>	<u>DISBURSEMENT EXPENDITURES</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Missouri Department of Highway Planning and Construction Grant	STP 5529(609)	20.205	\$ 1,005,933
Highway Planning and Construction Grant	STP 5529(611)	20.205	307,696
Total Department of Transportation			<u>\$ 1,313,629</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,313,629</u></u>

CITY OF LADUE, MISSOURI
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Ladue, Missouri under programs of the federal government for the year ended December 31, 2015. 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 the Schedule presents only a selected portion of the operations of City of Ladue, Missouri, it is not intended to and does not present the financial position, or changes in net assets of City of Ladue, Missouri.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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 reimbursements

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



The Honorable Mayor and Members of the City Council
CITY OF LADUE, MISSOURI

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 and each major fund of the City of Ladue, Missouri as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City of Ladue, Missouri's basic financial statements and have issued our report thereon dated June 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ladue, Missouri'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 City of Ladue, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ladue, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as item 2015-001 to be a material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether City of Ladue, Missouri'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.

Betz Deal & Company

June 7, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE
REQUIRED BY *THE UNIFORM GUIDANCE***



The Honorable Mayor and Members of the City Council
CITY OF LADUE, MISSOURI

Report on Compliance for Each Major Federal Program

We have audited the City of Ladue, Missouri's 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 of Ladue, Missouri's major federal programs for the year ended December 31, 2015. City of Ladue, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ladue, Missouri's major federal program 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 of Ladue, Missouri'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 of Ladue, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ladue, Missouri 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, 2015.

Report on Internal Control over Compliance

Management of the City of Ladue, Missouri 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 of Ladue, Missouri'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 of Ladue, Missouri'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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ladue, Missouri as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the City of Ladue, Missouri's basic financial statements. We have issued our report thereon dated June 6, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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 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 financial statements or to the 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 financial statements as a whole.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Biotz Deal & Company

June 7, 2016

CITY OF LADUE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of City of Ladue, Missouri were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements is reported in the *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*.
3. No instances of noncompliance material to the financial statements of City of Ladue, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs disclosed during the audit were reported in the *Independent Auditors' Report on Compliance with Requirements Applicable To Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance*.
5. The auditors' report on compliance for the major federal awards programs for City of Ladue, Missouri, expresses an unmodified opinion on all major federal programs.
6. There were no material audit findings relating to major programs which would be required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.
7. The program tested as a major program was U.S. Department of Transportation Planning and Construction CFDA No. 20.205.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City of Ladue, Missouri was determined to not be a low risk auditee.

B. Findings - Financial Statement Audit

SIGNIFICANT DEFICIENCIES CONSIDERED TO BE A MATERIAL WEAKNESS

2015-001 Significant Audit Adjustment

Condition: We proposed a material audit adjustment.

Criteria: Under the reporting requirements, if material audit adjustments are made by the audit team, it is considered a significant deficiency and a material weakness in financial reporting.

Cause: Turnover in the Finance Director position and timing of the audit resulted in year-end procedures not being fully completed/reviewed.

Effect: The prior year sales tax receivable was not reversed resulting in current year-end receivable balance not being accurate.

Recommendation: Procedures should be in place to insure that all accounts balances are reconciled and reviewed for accuracy.

Grantee's Response: The City management concurs and considers the adjustments to be a result of the timing of turnover in the key financial reporting position. Appropriate personnel is now in place and it is anticipated audit adjustments will not be required in the future.

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

1. None.

D. Summary of Prior Audit Findings

2014-001 Significant Audit Adjustments

Condition and Criteria: We proposed material audit adjustments. Under the reporting requirements, if material audit adjustments are made by the audit team, it is considered a significant deficiency and a material weakness in financial reporting.

Cause: Turnover in the Finance Director position and timing of the audit resulted in year-end procedures not being fully completed/reviewed.

Effect: Because of the turnover in the Finance Director position not all year-end accruals were properly recorded.

Recommendation: Procedures should be in place to insure that all transactions are properly recorded.

Current Status: The Finance Director position experienced turnover subsequent to year-end, which resulted in audit adjustments, and the finding being reported again in the current year. The City concurs and considers the adjustments to be a result of the timing of turnover in the key financial reporting position. Appropriate personnel is now in place and it is anticipated audit adjustments will not be required in the future.