

***CITY OF SUNSET HILLS, MISSOURI***

***SINGLE AUDIT REPORT***

***DECEMBER 31, 2017***

***CITY OF SUNSET HILLS, MISSOURI***  
SINGLE AUDIT REPORT  
SUNSET HILLS, MISSOURI

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***CITY OF SUNSET HILLS, MISSOURI***  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	DISBURSEMENT/ EXPENDITURES
DEPARTMENT OF TRANSPORTATION			
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction Grant	20.205	STP 5410 (620)	\$ <u>605,773</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Missouri Emergency Management Agency:			
Disaster Grants - Public Assistance	97.036	PA-07-MO-4317-PW-00549	50,541
Disaster Grants - Public Assistance	97.036	PA-07-MO-4317-PW-00401	28,860
Disaster Grants - Public Assistance	97.036	PA-07-MO-4317-PW-00361	8,887
Disaster Grants - Public Assistance	97.036	PA-07-MO-4317-PW-00367	<u>77,480</u>
Total Department of Homeland Security			<u>165,768</u>
DEPARTMENT OF JUSTICE			
Passed through Missouri Department of Public Safety:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-LLEBG-100	<u>6,503</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 778,044</u>

***CITY OF SUNSET HILLS, MISSOURI***  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Sunset Hills, Missouri under programs of the federal government 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 the Schedule presents only a selected portion of the operations of City of Sunset Hills, Missouri, it is not intended to and does not present the financial position, or changes in net position of City of Sunset Hills, 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

NOTE 3 - INDIRECT COST RATE

The City of Sunset Hills, Missouri has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Board of Alderman  
***CITY OF SUNSET HILLS, 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, each major fund and the aggregate remaining fund activity of the City of Sunset Hills, Missouri as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Sunset Hills, Missouri's basic financial statements and have issued our report thereon dated June 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Sunset Hills, 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 Sunset Hills, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sunset Hills, 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 findings and questioned costs as item 2017-001.

## **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether City of Sunset Hills, 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.



Robt Deal & Company

St. Charles, Missouri  
June 29, 2018

**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 Board of Alderman  
***CITY OF SUNSET HILLS, MISSOURI***

***Report on Compliance for Each Major Federal Program***

We have audited the City of Sunset Hills, 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 Sunset Hills, Missouri's major federal programs for the year ended December 31, 2017. City of Sunset Hills, 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 Sunset Hills, Missouri'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 of Sunset Hills, 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 Sunset Hills, Missouri's compliance.

### ***Opinion on Each Major Federal Program***

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

### ***Report on Internal Control over Compliance***

Management of the City of Sunset Hills, 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 Sunset Hills, 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 Sunset Hills, Missouri's internal control over compliance.

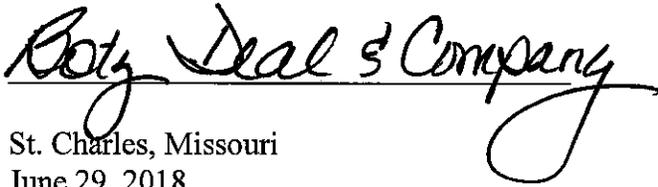
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a material weakness.

## **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 Sunset Hills, Missouri as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City of Sunset Hills, Missouri's basic financial statements. We have issued our report thereon dated June 29, 2018, 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.

  
St. Charles, Missouri  
June 29, 2018

**CITY OF SUNSET HILLS, MISSOURI**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017

**A. Summary of Audit Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of City of Sunset Hills, Missouri were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements is reported in the *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*.
3. No instances of noncompliance material to the financial statements of City of Sunset Hills, Missouri which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency 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 Sunset Hills, 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 between Type A and B programs was \$750,000.
9. The City of Sunset Hills, Missouri was determined not to be a low risk auditee.

**B. Findings - Financial Statement Audit**

SIGNIFICANT DEFICIENCIES CONSIDERED TO BE A MATERIAL WEAKNESS

2017-001 Internal Control Over Financial Reporting

*Condition:* We proposed material audit adjustments.

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

**B. Findings - Financial Statement Audit - continued**

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

*Effect:* Asset and liability accounts were not accurately stated.

*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 with the finding. 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**

**SIGNIFICANT DEFICIENCIES CONSIDERED TO BE A MATERIAL WEAKNESS**

2017-002 Inadequate Controls Over Preparation of the Schedule of Expenditures of Federal Awards

*Condition:* The initial Schedule of Expenditures of Federal Awards (SEFA) did not accurately calculate federal awards expended during the audit year, per determination requirements under the Uniform Guidance.

*Criteria:* Per 2 CFR 200.502(a); determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal Awards.

*Cause:* The City determined the amount reported on the SEFA based on when the reimbursement was received, as opposed to using the determination criteria described under 2 CFR 200.502.

*Effect:* The SEFA did not include all amounts expended, requiring a revision to the SEFA. As a result of the revision, total Federal awards exceeded the \$750,000 threshold, requiring a single audit.

*Recommendation:* Procedures should be in place to insure that all required expenditures are included on the SEFA.

*Grantee's Response:* The City management concurs with the finding. Additional procedures will be implemented to insure the SEFA is complete and accurate. In addition, with appropriate personnel now in place it is anticipated Federal awards will be properly calculated in the future.

***CITY OF SUNSET HILLS, MISSOURI***  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017

None.