CITY OF OLATHE, KANSAS

UNIFORM GUIDANCE

SINGLE AUDIT REPORT

DECEMBER 31, 2016

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RubinBrown

RubinBrown LLP
Certified Public Accountants
& Business Consultants

1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122
F 816.472.1065

W rubinbrown.com
E info@rubinbrown.com

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 Olathe, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Olathe, Kansas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Olathe, Kansas' basic financial statements, and have issued our report thereon dated June 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Olathe, Kansas' 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 the City of Olathe, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Olathe, Kansas' 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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 over financial reporting 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 of Olathe, Kansas' 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 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.

RubinBrown LLP

June 8, 2017

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Suite 1000
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T 816.472.1122
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Independent Auditors' 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

The Honorable Mayor and Members
of the City Council
City of Olathe, Kansas

Report On Compliance For Each Major Federal Program

We have audited the City of Olathe, Kansas' 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 Olathe, Kansas' major federal programs for the year ended December 31, 2016. The City of Olathe, Kansas' major federal programs are identified in the summary of auditors' 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 Olathe, Kansas' 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 Olathe, Kansas' 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 Olathe, Kansas' compliance.

BAKER TILLY
INTERNATIONAL

Opinion On Each Major Federal Program

In our opinion, the City of Olathe, Kansas, 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, 2016.

Report On Internal Control Over Compliance

Management of the City of Olathe, Kansas, 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 Olathe, Kansas' 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 Olathe, Kansas' 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 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.

Report On Schedule Of Expenditures Of Federal Awards Required By The Uniform Guidance

We have audited the financial statements of the City of Olathe, Kansas, as of and for the year ended December 31, 2016, and have issued our report thereon dated June 8, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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.

RubinBrown LLP

June 8, 2017

CITY OF OLATHE, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2016

Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department Of Housing And Urban Development:			
Direct Funding -			
Public and Indian Housing	14.850		$ 733,271
Section 8 Housing Choice Vouchers	14.871		3,160,374
Public Housing Capital Fund	14.872		261,583
Passed Through Johnson County, Kansas -			
Community Development Block Grant	14.218	2013 / 2014 / 2015 / 2016	489,342
HOME Investment Partnerships Program	14.239	2014 / 2015	143,496
Total U.S. Department of Housing and Urban Development			4,788,066
U.S. Department Of Transportation:			
Passed Through Kansas Department Of Transportation (K-DOT) -			
Highway Planning and Construction	20.205	N-061001 / N-062701 / N-061901	3,438,185
State and Community Highway Safety	20.600	SP-1300-16	17,877
State and Community Highway Safety	20.600	SP-0931-16	4,500
State and Community Highway Safety	20.616	SP-4704-16	8,973
Passed Through Kansas City Area Transportation Authority - (KCATA)			
Job Access Reverse Commute	20.516	MO-37-X036	4,716
5310 Grant	20.513	MO-16-X046	83,810
5310 Grant Group Trip	20.513	MO-16-X046	2,680
New Freedom	20.521	MO-57-X004	176,069
Total U.S., Department of Transportation			3,736,810
U.S. Department Of Justice:			
Passed Through Johnson County, Kansas -			
Byrne Memorial Justice Assistance Grant	16.738	2015DJBX0394	549
Office Of National Drug Control Policy			
Passed Through Kansas Bureau Of Investigation			
High Intensity Drug Trafficking Area	95.001	G15MW0003A	40,894

See the accompanying notes to schedule of expenditures of federal awards.

CITY OF OLATHE, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*
For The Year Ended December 31, 2016

Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
National Park Service			
Passed Through Kansas State Historical Society-			
Historical Preservation Fund	15.904	P145AF00192-007	$ 18,000
U.S. Department Of Health And Human Services			
Passed Through Kansas Department Of Aging & Disability Services -			
Communities That Care	93.276	K-SPF2016CTC / KPCCI2017	38,916
U.S. Department Of Homeland Security			
Passed Through Mid-America Regional Council (MARC) -			
Urban Area Security Initiative	97.067	PO-003708	10,476
Urban Area Security Initiative	97.067	PO-003272	45,386
Total U.S. Department of Homeland Security			55,862
Total Expenditures of Federal Awards			$ 8,679,097

See the accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2016

1. Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Olathe, Kansas (the City), for the year ended December 31, 2016. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2. Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified-accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Local Government Contributions

Local cost sharing, as defined by the Title 2 CFR 200.306, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency program, results which may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2016.

5. Loans Outstanding

The City had the following loan balances outstanding at December 31, 2016. New loans made during the year are included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	$ 1,722,057
HOME Investment Partnerships Program	14.239	2,044,655
		$ 3,766,712

6. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2016

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _x_ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____ yes _x_ none reported

Noncompliance material to financial statements noted? ____ yes _x_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes _x_ no
- Significant deficiency(ies) identified? ____ yes _x_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? ____ yes _x_ no

Identification of major programs:

CFDA Number	Name Of Federal Program Or Cluster
20.205	Highway Planning and Construction
14.850	Public and Indian Housing

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

Auditee qualified as low-risk auditee? _x_ yes ____ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For The Year Ended December 31, 2015

Section II - Financial Statement Findings

None

Section III - Federal Award Findings And Questioned Costs

None