

***CITY OF OLATHE, KS***

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2019

WITH

INDEPENDENT AUDITOR'S REPORT



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**CITY OF OLATHE, KS**

**SINGLE AUDIT REPORT**

Year Ended December 31, 2019

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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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olathe, Kansas (City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2020.

**Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 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.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2019  
Wichita, Kansas

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

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INDEPENDENT AUDITOR'S REPORT

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

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

We have audited City of Olathe, Kansas (City) 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's major federal programs for the year ended December 31, 2019. The City'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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City'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'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's compliance.

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

In our opinion, the City 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 other major federal programs for the year ended December 31, 2019.

## **Report on Internal Control Over Compliance**

Management of the City 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'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'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.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 8, 2020, 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 basic 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 the basic financial statements themselves, and other addition 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 as a whole.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2020  
Wichita, Kansas



**CITY OF OLATHE, KS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Public and Indian Housing	14.850		\$ 672,576
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871		3,487,707
Total Housing Voucher Cluster			<u>3,487,707</u>
Public Housing Capital Fund	14.872		<u>135,898</u>
Passed Through Johnson County, Kansas:			
CDBG-Entitlement Grants Cluster:			
Community Development Block Grant	14.218	2014 / 2017 / 2018 / 2019	438,668
Total CDBG-Entitlement Grants Cluster			<u>438,668</u>
Home Investment Partnerships Program	14.239	2015 / 2016 / 217	<u>70,966</u>
Total U.S. Department of Housing and Urban Development			<u>4,805,815</u>
<u>U.S. Department of Justice</u>			
Byrne Memorial Justice Assistance Grant	16.738		<u>105,810</u>
Total U.S. Department of Justice			<u>105,810</u>
<u>U.S. Department of Transportation</u>			
Passed Through Kansas Department of Transportation (K-DOT):			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	N-064101/N-064301/N-062801 N-061801/N-064201U-017701 TE-043101/N-061801	<u>2,424,131</u>
Total Highway Planning and Construction Cluster			<u>2,424,131</u>
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SP-1300-19 / SP-1300-20	37,975
National Priority Safety Programs	20.616	SP-1701-19 / SP-1701-20	<u>10,372</u>
Total Highway Safety Cluster			<u>48,347</u>
Passed Through Kansas City Area Transportation Authority (KCATA):			
Transit Services Programs Cluster:			
5310 Grant	20.513	MO-16-X046	<u>145,964</u>
Total Transit Services Programs Cluster			<u>145,964</u>
Total U.S. Department of Transportation			<u>2,618,442</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Kansas Department of Aging & Disability Services:			
Communities That Care	93.276		<u>78,502</u>
Total U.S. Department of Health and Human Services			<u>78,502</u>
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00424	<u>569,436</u>
Passed Through Mid-America Regional Council (MARC):			
Urban Area Security Initiative	97.067	PO-003272	<u>26,466</u>
Total U.S. Department of Homeland Security			<u>595,902</u>
Total Expenditures of Federal Awards			\$ <u>8,204,471</u>

**CITY OF OLATHE, KS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2019

**1. Organization**

The City is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards passed through other government agencies, are recorded on the Schedule of Expenditures of Federal Awards.

**2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

**3. Local Government Contributions**

Local cost sharing 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 and program results that 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 positions at December 31, 2019.

**5. Outstanding Loans**

The City had the following loan balance outstanding at December 31, 2019. New loans made during the year are included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 1,718,666
HOME Investment Partnerships Program	14.239	2,099,850
		<u>\$ 3,818,516</u>

**6. Pass Through Entity Numbers**

Grant numbers are not listed for several grants on the Schedule of Expenditures of Federal Awards. For those grants, pass through grantors have not assigned passthrough numbers to the passthrough grants noted in the Schedule of Expenditures of Federal Awards.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?      Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None reported
- Noncompliance material to financial statements noted?      Yes   X   No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified?      Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None reported

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance:      Yes   X   No

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

<u>CFDA Number</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>Opinion</u>
20.205	Highway Planning and Construction	Unmodified
97.083	Staffing for Adequate Fire and Emergency Response	Unmodified

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

Auditee qualified as low-risk auditee?   X   Yes      No

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2019

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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None were reported.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2019

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None were reported.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2019

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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None were reported.