
CITY OF UNIVERSITY CITY, MISSOURI
OMB CIRCULAR A-133
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**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 University City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of University City, Missouri (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2015.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2015-001) to be a material weakness.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2015-002) to be a significant deficiency.

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*.

We noted certain other matters that we reported to management in a separate letter dated December 31, 2015.

City of University City's Response to Findings

City of University City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of University City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 31, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Mayor and
Members of the City Council
City of University City, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of University City, Missouri's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 OMB Circular A-133, 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2015, 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 OMB Circular A-133 and is not a required

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133
(continued)**

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 as a whole.

Purpose of this Report

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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & ABOURI, P.C.

St. Louis, Missouri
December 31, 2015

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through Saint Louis County:			
Community Development Block Grant - Entitlement Grants	14.218	2014NB303NP 16	\$ 25,000
Community Development Block Grant - Entitlement Grants	14.218	2014NB404	81,281
Community Development Block Grant - Park Scholarship	14.218	NP16NPY16 NB404	<u>5,000</u>
Total CFDA #14.218 and U.S. Department of Housing and Urban Development			<u>111,281</u>
<u>U.S. Department of Justice:</u>			
Direct:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2013 DJ-BX-0155	18,722
Edward Byrne Memorial Justice Assistance Grant	16.738	2014 DJ-BX-0895	<u>13,043</u>
Total CFDA #16.738 and U.S. Department of Justice			<u>31,765</u>
<u>U.S. Department of Transportation:</u>			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction:			
Ferguson Bridge Replacement	20.205	STP-5402(605)	74,936
Upgrade Etzel, Kingsland, and Old Bonhomme	20.205	STP-5402(607)	1,164
Jackson Avenue Pedestrian Signal	20.205	STP-5402(608)	9,102
Chamberlain Bridge	20.205	STP-5402(610)	314,266
Olive West Improvement	20.205	STP-5402(611)	4,510
Jackson Balson Improvements	20.205	STP-5402(612)	<u>14,166</u>
Total CFDA #20.205 and U.S. Department of Transportation			<u>418,144</u>
<u>National Endowment for the Humanities:</u>			
Direct:			
Missouri Humanities Council #1843	45.129	N/A	500
Missouri Humanities Council #1873	45.129	N/A	<u>500</u>
Total CFDA #45.129 and National Endowment for the Humanities			<u>1,000</u>
Total			<u><u>\$ 562,190</u></u>

CITY OF UNIVERSITY CITY, MISSOURI

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City of University City, Missouri and component units for the year ended June 30, 2015. The City's reporting entity is defined in Note 1 to the City's financial statements.

2. Basis of Accounting and Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note 1 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

3. Insurance

The City did not have any federal insurance in effect during the fiscal year ended June 30, 2015.

4. Loans/Loan Guarantees

The City did not have any loans or loan guarantees outstanding as of June 30, 2015.

5. Nonmonetary Assistance

The City did not have any nonmonetary assistance during the fiscal year ended June 30, 2015.

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements
noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes 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
Circular A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001 – Material Weakness

Internal Control over Financial Reporting

Condition: Significant adjusting journal entries were required to state the City's fund balances; cash and investment balances; accounts payable; grant revenues and related matching funds; and unearned revenue in accordance with accounting principles generally accepted in the United States (GAAP).

A similar finding was reported in the prior year (2014-001).

Criteria: The City presents its annual financial statements in accordance with GAAP for local governments as promulgated by the Governmental Accounting Standards Board.

Cause: Account reconciliations of significant financial statement amounts and supervisory review of those reconciliations did not detect errors described above.

Effect: Several adjusting journal entries were necessary in order to present the City's financial statements in accordance with GAAP.

Recommendation: We recommend the City enhance its internal control procedures over financial reporting so that it is able to produce financial statements in accordance with GAAP without requiring significant audit adjustments as described above. These internal control procedures should include reconciliation of significant financial statement amounts to subsidiary records and sufficient supervisory review of those reconciliations in order to determine what modifications to the City's financial statements are required.

Views of Responsible Officials and Planned Corrective Action:

The City provides internal and external financial reporting based on budget basis. Therefore, the adjusting journal entries in accordance with GAAP are still needed at year end. However, to eliminate encumbrances adjusting entries, the City plans to maintain only a few open purchase orders at year end.

The step of comparing the final trial balance to the financial statement has been added to the year-end closing procedure. This task will be completed immediately after issuing prior year CAFR.

CITY OF UNIVERSITY CITY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding No. 2015-002 – Significant Deficiency

Bank Reconciliations

Condition: During our audit, we noted errors in the bank reconciliation process and bank transfers are not being made timely.

A similar finding was reported in the prior year (2014-002).

Criteria: Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. Not transferring monies on a timely basis can cause errors or other problems since the number and amount of reconciling items accumulates month after month.

Cause: Effective bank reconciliation procedures were not in place during fiscal year 2015.

Effect: The Police and Firemen’s Pension cash account was not properly reconciled during fiscal year 2015. Additionally, outstanding bank transfers are carried forward on the bank reconciliations month after month and have significantly accumulated.

Recommendation: We recommend the City implement procedures to ensure bank reconciliations are complete and accurate, reconciling items are promptly investigated and resolved and bank transfers are made timely.

Views of Responsible Officials and Planned Corrective Action:

The City will continue to implement procedures to ensure bank reconciliations are complete and accurate and reconciling items are promptly investigated and resolved. In addition, the City will review the procedures for bank transfers to reduce complexity of bank reconciliations.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

4. SCHEDULE OF PRIOR YEAR FEDERAL FINDINGS AND QUESTIONED COSTS

None.