



*Presentation Of Results Of Annual Audit  
And Required Communications*  
City Of Lee's Summit, Missouri  
*For The Year Ended June 30, 2016*





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# Auditor Communications

## City Of Lee's Summit, Missouri

Honorable Mayor and Members of the City Council  
City of Lee's Summit, Missouri

We have audited the basic financial statements of the City of Lee's Summit, Missouri (the City) for the year ended June 30, 2016. Our audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and presented in accordance with accounting principles generally accepted in the United States of America. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting principles used by the City and the significant estimates made by the City's management as well as evaluated the overall financial statement presentation.

Auditing Standards require the auditor to ensure that those charged with corporate governance receive additional information regarding the scope and results of the audit that may assist the governing body in overseeing the financial reporting and disclosure process for which management is responsible. The following section describes matters which are required to be reported to you.

This information is intended solely for the use of the Honorable Mayor, Members of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

*RubinBrown LLP*

December 21, 2016



# Auditor Communications (Continued)

## City Of Lee's Summit, Missouri

AREA	COMMENTS
<p><b>Auditors' Responsibility Under U.S. Generally Accepted Auditing Standards, <i>Government Auditing Standards</i> and Uniform Guidance</b></p> <p>Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with our assistance are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and that the City complied in all material respects with the applicable compliance requirements of its major federal programs. Our audit of the financial statements does not relieve you or management of responsibility for the accuracy of the financial statements.</p> <p>Professional standards also require that we obtain a significant understanding of the City's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Accordingly, we express no such assurance.</p>	<p>We have audited the financial statements of the City of Lee's Summit, Missouri (the City) and the City's compliance with laws and regulations applicable to each of its major federal programs for the year ended June 30, 2016 and have issued the following:</p> <ul style="list-style-type: none"> <li>❖ An unmodified opinion on the City's financial statements for the year ended June 30, 2016.</li> <li>❖ A report on internal control over financial reporting and on compliance based on an audit of the financial statements in accordance with <i>Government Auditing Standards</i>.</li> <li>❖ An unmodified opinion on compliance and a report on internal control over federal programs in accordance with Uniform Guidance.</li> <li>❖ An in-relation-to opinion on the combining and individual fund financial statements and schedules.</li> <li>❖ No opinion on the management's discussion and analysis and other RSI included within the financial statements.</li> <li>❖ No opinion on the introductory and statistical sections of the CAFR.</li> </ul>



# Auditor Communications (Continued)

## City Of Lee's Summit, Missouri

AREA	COMMENTS
<b>Other Information In Documents Containing Audited Financial Statements</b>	To our knowledge, the 2016 audited financial statements are not included within any other document.
<b>Planned Scope And Timing Of The Audit</b>	We performed the audit according to the planned scope and timing previously communicated to you through our engagement letter regarding the nature, timing and extent of our audit procedures.
<b>Qualitative Aspects Of Accounting Practices</b> Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about appropriateness of accounting policies and their application.	<ul style="list-style-type: none"> <li>◆ Significant accounting policies are described in Note 1.</li> <li>◆ The City implemented GASB 72, <i>Fair Value Measurement and Application</i> during the year.</li> <li>◆ We noted no transactions entered into during the year for which there was a lack of authoritative guidance or consensus.</li> <li>◆ No significant transactions have been recognized in a different period than when the transactions occurred.</li> </ul>



# Auditor Communications (Continued)

## City Of Lee's Summit, Missouri

AREA	COMMENTS
<p><b>Management Judgments And Accounting Estimates</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p> <p>We evaluated the key factors and assumptions used to develop the estimates noted at right in determining that these amounts are reasonable in relation to the financial statements taken as a whole.</p>	<ul style="list-style-type: none"> <li>◆ Allowance for uncollectible taxes and other accounts receivable</li> <li>◆ Useful lives of capital assets</li> <li>◆ Actuarial assumptions in the calculation of annual pension and OPEB costs</li> <li>◆ Estimated liability for payment of incurred (both reported and unreported) but unpaid self insurance claims</li> <li>◆ Estimated cost of closure and post closure care of the solid waste landfill</li> <li>◆ Fair value of contributed capital assets</li> </ul>
<p><b>Financial Statement Disclosures</b></p> <p>The disclosures are neutral, consistent and clear. Certain disclosures are particularly sensitive because of their significance to the financial statements users. The most sensitive disclosures affecting the financial statements are:</p>	<ul style="list-style-type: none"> <li>◆ Note 2 - The City's investment policy and portfolio risks</li> <li>◆ Note 4 - The City's long-term obligations</li> <li>◆ Note 7 - Employee retirement plan</li> <li>◆ Note 8 - Other post employment benefits (OPEB)</li> <li>◆ Note 10 - Closure and postclosure care costs</li> </ul>
<p><b>Difficulties Encountered In Performing The Audit</b></p>	<p>There were no difficulties encountered in dealing with management related to performance of the audit.</p>



## Auditor Communications (Continued)

### City Of Lee's Summit, Missouri

AREA	COMMENTS
<b>Corrected And Uncorrected Misstatements</b>	Professional standards require us to accumulate factual, judgmental and projected misstatements identified during the audit, other than those that are trivial, communicate them to the appropriate level of management, and request their correction. Management has one corrected audit adjustment. See the attachment labeled Adjusting Journal Entries. In addition, we accumulated one uncorrected misstatement. See the attachment labeled Proposed Journal Entries. Management has determined that this uncorrected misstatement is not material to the financial statements taken as a whole.
<b>Disagreements With Management</b>	None
<b>Management Representations</b>	We have requested certain representations from management that are included in the management representation letter dated December 21, 2016. A copy of the signed representation letter is attached.
<b>Management Consultations With Other Independent Accountants</b>	None
<b>Other Audit Findings Or Issues</b>	There were no matters of significant discussion that affected our retention as the City's auditors.

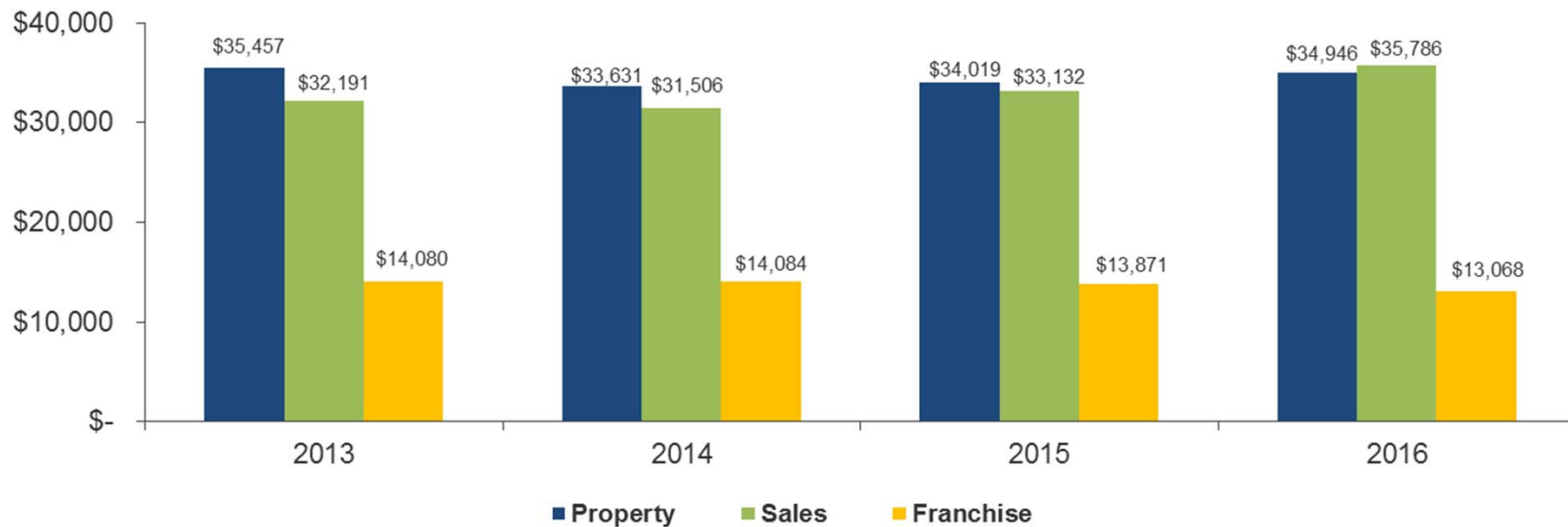
## City Of Lee's Summit, Missouri

- ❖ GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*
  - ❖ These benefits principally involve health care benefits.
  - ❖ This proposed standard would provide guidance on how OPEB is accounted for and reported. The proposed guidance for OPEB reporting is similar to the new pension standards.
  
- ❖ GASB Statement No. 77, *Tax Abatement Disclosures*
  - ❖ This Statement requires governments that enter tax abatement agreements to disclose among other things
    - Taxes being abated and the authority under which they are abated along with commitments from the recipients.
    - Gross amount of the taxes abated during the period.
    - Any other commitments from the government made as part of the abatement agreement.
  
- ❖ GASB Statement No. 83, *Certain Asset Retirement Obligations*
  - ❖ This Statement requires governments to evaluate if there is a legally enforceable liability associated with the retirement of capital assets.



## City Of Lee's Summit, Missouri

**Selected Tax Revenues - Governmental Funds  
(In Thousands)**



**OBSERVATION**

All three tax sources are very consistent from year to year since 2013. There have been steady increases in sales and property taxes since 2014.

## City Of Lee's Summit, Missouri

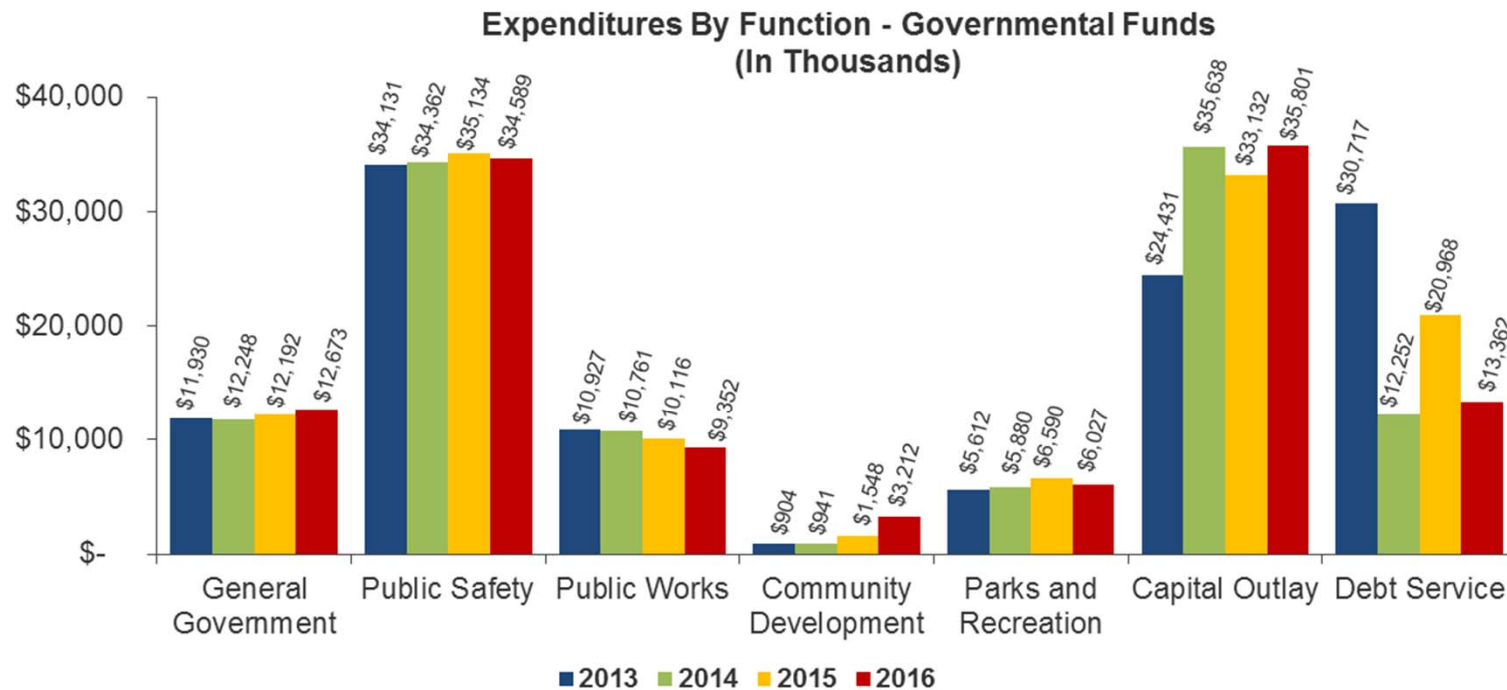
Unassigned Fund Balance - General Fund  
(In Thousands)



**OBSERVATION**

From 2013 to 2016, the General Fund has had a surplus of revenues over expenditures and the unassigned fund balance in the General Fund has been steadily growing. The 2016 balance represents approximately 35% of the expenditures in the fund for the entire year.

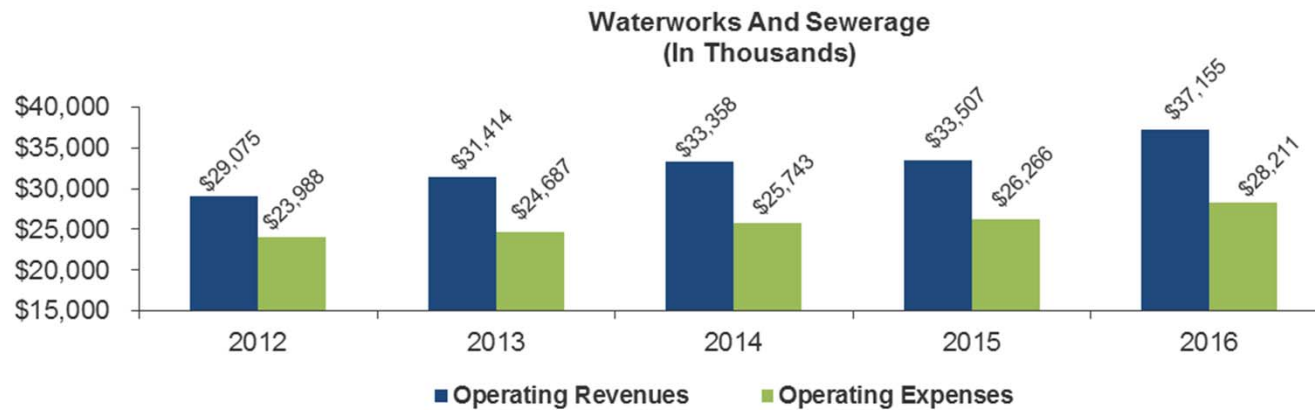
## City Of Lee's Summit, Missouri



**OBSERVATION**

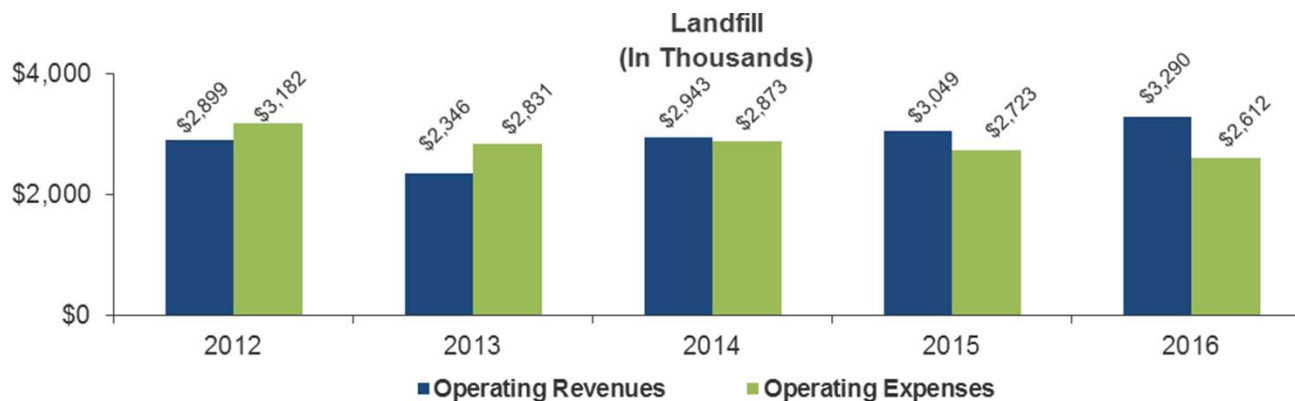
General government, public safety, public works, community development, and parks and recreation expenditures are consistent from 2013 to 2016. The increase in capital outlay expenditures in 2014 through 2016 are largely due to increased public works (road) construction contracts as well as park development. The increase in debt service expenditures for 2013 and 2015 related to refunding certain bonds in each respective year with the issuance of new debt.

## City Of Lee's Summit, Missouri



### Observations

Operating revenues have consistently increased each year since 2012. Operating expenses have also increased but not as significantly as revenues.



### Observations

2014 was the first year since 2010 that landfill operating revenues exceeded operating expenses. That trend continues through 2016.



# Independent Auditors' Report On Additional Information

## City Of Lee's Summit, Missouri

Honorable Mayor and Members of the City Council  
City of Lee's Summit, Missouri

Our report, dated December 21, 2016, on our audit of the basic financial statements of the City of Lee's Summit, Missouri (the City) for the year ended June 30, 2016 accompanies the financial statements of the City. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information presented on pages 6 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no such opinion on it.

*RubinBrown LLP*

December 21, 2016



# LEE'S SUMMIT MISSOURI

December 21, 2016

RubinBrown LLP  
10975 Grandview Drive  
Building 27, Suite 600  
Overland Park, Kansas 66210

We are providing this letter in connection with your audit of the financial statements of City Of Lee's Summit, Missouri as of June 30, 2016 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City Of Lee's Summit, Missouri and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles.

We understand we are responsible for management decisions and functions, for designating a qualified employee to oversee any nonattest services you provide, for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the city council is contingently liable, if any, have been properly recorded or disclosed.
11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
19. We have made available to you all financial records and related data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
27. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted



- responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
28. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  29. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  30. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
  31. The financial statements properly classify all funds and activities.
  32. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  33. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  34. Investments, derivative instruments, and land are properly valued.
  35. Provisions for uncollectible receivables have been properly identified and recorded.
  36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
  39. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
  40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
  41. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
  42. We are responsible for properly reconciling cash in the general ledger to the bank on a monthly basis. We represent to you that we have made a good faith effort to accomplish this each month and that there still remains a difference between bank and general ledger balances at June 30, 2016.
  43. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in

the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44. With respect to the combining and individual nonmajor fund financial statements and schedules:

- a. We acknowledge our responsibility for presenting the combining and individual nonmajor fund financial statements and schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual nonmajor fund financial statements and schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual nonmajor fund financial statements and schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b. If the combining and individual nonmajor fund financial statements and schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

45. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property),

- cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
  - f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
  - g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
  - h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
  - i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the Uniform Guidance Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
  - j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
  - k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
  - l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Compliance Supplement.
  - m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- n. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

- z. We are responsible for preparing and implementing a corrective action plan for each audit finding.

*Darlene Pickett*

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Darlene Pickett, Controller

*Conrad Lamb*

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Conrad Lamb, Finance Director

*Stephen A. Arbo*

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Stephen A. Arbo, City Manager

Client: 20600.0000 - City of Lee's Summit  
 Engagement: 2016 AUD - City of Lee's Summit  
 Period Ending: 6/30/2016  
 Trial Balance: TB  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit	Increase (Decrease) to Ending Net Assets
<b>Adjusting Journal Entries JE # 25</b>					
To correct Accounts Payable/Accrual amount calculation related to Airport Construction Invoice. Originally booked 1 day of expense					
321-2006-0	Retainage Payable	5106	1,590.00		1,590.00
321-2011-0	Other Accrued Expenses		30,216.00		30,216.00
321-8505-0	Construction Contracts		1,090,231.00		
321-2006-0	Retainage Payable			54,512.00	(54,512.00)
321-2011-0	Other Accrued Expenses			1,035,719.00	(1,035,719.00)
321-8505-0	Construction Contracts			31,806.00	
<b>Total</b>			<u>1,122,037.00</u>	<u>1,122,037.00</u>	<u>(1,058,425.00)</u>

Client: 20600.0000 - City of Lee's Summit  
 Engagement: 2016 AUD - City of Lee's Summit  
 Period Ending: 6/30/2016  
 Trial Balance: TB  
 Workpaper: 3003 - Proposed JE Report

Account	Description	W/P Ref	Debit	Credit
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<b>Proposed JE # 29</b>		5101		
Entry to record effect of correcting adjustment to water fund accrued interest through current year expense				
500-3000-0	Fund Balance		179,837.00	
500-7801-0	Interest Expense			179,837.00
<b>Total</b>			<u>179,837.00</u>	<u>179,837.00</u>

Effect on Ending Net Assets 0.00