

CITY OF ST. JOSEPH, MISSOURI

**SINGLE AUDIT REPORT
(OMB Circular A-133)**

FOR THE YEAR ENDED JUNE 30, 2008

**City of St. Joseph, Missouri
Single Audit Report
(OMB Circular A-133)
For the Year Ended June 30, 2008**

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards	1
A copy of the City of St. Joseph, Missouri's Comprehensive Annual Financial Report for the year ended June 30, 2008 accompanies this report. The independent auditor's report and the financial statements are hereby incorporated by reference.	
Additional information:	
Schedule of Expenditures of Federal Awards	2-3
Notes to the Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	5-8
Compliance reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9-10
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	11-12



COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

**Independent Auditor's Report on Schedule
of Expenditures of Federal Awards**

1251 NW Briarcliff Parkway
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

To the Honorable Mayor and City Council
City of St. Joseph, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the City of St. Joseph, Missouri (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2008. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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, and the provisions of Office of Management and Budget 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

Other Offices

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

317 W. Young
Warrensburg, MO 64093
(660) 747-9125
(660)747-9490 FAX

Our audit was conducted for the purpose of forming opinions on the financial statements of the City that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2008

ADDITIONAL INFORMATION

City of St. Joseph, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Grantor Agency	Federal CFDA Number	Grant Program Number	Current Year Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Agriculture:				
Passed Through Missouri Department of Health and Senior Services:				
2006 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-7225	\$ 111,146	\$ -
2007 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-8225	189,679	-
Total U.S. Department of Agriculture			<u>300,825</u>	<u>-</u>
U.S. Department of Commerce:				
Economic Adjustment Assistance Grant				
	11.307	05-69-04185	26,667	-
Total U.S. Department of Commerce			<u>26,667</u>	<u>-</u>
U.S. Department of Defense:				
Passed Through MO Air National Guard:				
National Guard Military Operations and Maintenance Projects	12.401		20,000	-
Total U.S. Department of Commerce			<u>20,000</u>	<u>-</u>
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
2006 Entitlement	14.218	B-06-MC-29-0004	1,259,944	635,043
2007 Entitlement	14.218	B-07-MC-29-0004	479,042	265,700
Home Investment Partnerships Program:				
2003 Home Investment Partnerships Program	14.239	M-03-MC-29-0208	118,890	118,890
2004 Home Investment Partnerships Program	14.239	M-04-MC-29-0208	380,245	380,245
2005 Home Investment Partnerships Program	14.239	M-05-MC-29-0208	72,626	72,626
2006 Home Investment Partnerships Program	14.239	M-06-MC-29-0208	185,587	161,250
2007 Home Investment Partnerships Program	14.239	M-07-MC-29-0208	193,665	153,680
Passed Through Missouri Department of Social Services				
State Emergency Shelter:				
2007 State Emergency Shelter	14.231	ERO-1640710	75,000	75,000
Supportive Housing Assistance - HMIS	14.235	MO01B203001	32,571	-
Economic Development Initiative - Riverfront Redevelopment	14.426	B05-SP-MO-0149	749,750	-
Total U.S. Department of Housing and Urban Development			<u>3,547,320</u>	<u>1,862,434</u>
U.S. Department of Justice:				
Weed & Seed Grant				
	16.595	2007WSQ50167	208,596	80,760
Bullet Proof Vest Partnership Grant				
	16.607	NA	17,324	-
Passed Through Missouri Department of Public Safety:				
Enforcing Underage Drinking Laws	16.727	2007-EUDL-27	1,202	-
Edward Byrne Memorial Grant	16.738	2006 DJ BX 0169	4,008	-
Total U.S. Department of Justice			<u>231,130</u>	<u>80,760</u>
U.S. Department of Transportation:				
Federal Aviation Administration:				
Passed through Missouri Department of Transportation:				
Airport Improvement Program	20.106	AIRE 056-12A	547,678	-
Federal Highway Administration:				
Highway Planning and Construction	20.205	Various	855,840	-
Federal Transit Authority:				
Federal Transit Administration Grant (Operations)	20.507	MO-90-X236	1,043,775	-
Department of Public Safety:				
Passed Through Missouri Division of Highway Safety:				
Missouri Highway Safety Project	20.601	Various	38,663	-
Total U.S. Department of Transportation			<u>2,485,956</u>	<u>-</u>

(Continued)

City of St. Joseph, Missouri
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Grantor Agency	Federal CFDA Number	Grant Program Number	Current Year Expenditures	Amount Passed Through to Subrecipients
Federal Emergency Management Agency:				
Passed Through State Emergency Management Agency :				
Disaster Public Assistance Grant	97.036	021-64550-00	1,140,579	-
Emergency Management Grant	97.042	2007-EM-E7-0026	2,207	-
Emergency Management Grant	97.042	2008-EM-E7-0004	6,258	-
Homeland Security Grant	97.067	2006-GE-T6-0067	13,840	-
Total Federal Emergency Management Agency			1,162,884	-
U.S. Department of Health and Human Services:				
Passed Through Substance Abuse/ Mental Health Services:				
St. Joseph Youth Alliance Grant	93.243	SJPD2007COMP	7,784	-
Passed Through Missouri Department of Health and Senior Services:				
Nutrition & Physical Activity for Obesity Prevention	93.283	AOC08380394	4,627	-
Mosquito Surveillance	93.283	DH080001011	2,777	-
Community Pandemic Preparedness Planning	93.283	DH070011083	13,014	-
Community Pandemic Preparedness Planning	93.283	DH080019087	7,142	-
Regional Health Emergency Planning & Preparedness	93.283	AOC07380085	19,777	-
Regional Health Emergency Planning & Preparedness	93.283	AOC08380322	50,600	-
Child Care Health Consultation	93.575	AOC06380216	795	-
HIV Case Management	93.917	AOC06380216	100,330	-
HIV Prevention	93.940	Various	64,451	-
Maternal & Child Health Services	93.994	AOC06380216	40,176	-
Passed Through Missouri Department of Social Services:				
Homeless Challenge Program	93.569	HCP-41	17,053	17,053
Total U.S. Department of Health and Human Services			328,526	17,053
Total Expenditures of Federal Awards			\$ 8,103,308	\$ 1,960,247

City of St. Joseph, Missouri
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Note 1. Organization

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

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of St. Joseph, Missouri and is presented on the modified-accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3. Local Government Contributions

Local cost sharing, as defined by the Office of Management and Budget Circular A-102, Attachment F, 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.

Note 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 of St. Joseph, Missouri. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at June 30, 2008.

Note 5. Federal Loans Outstanding

The City administers two revolving loan programs with federal funds. These programs, along with their respective outstanding balances at June 30, 2008, are as follows:

CFDA Number	Program	Loans Outstanding at June 30, 2008
14.218	Community Development Block Grant	\$ 1,379,437
14.239	HOME Investment Partnerships Program	2,245,878
Total		\$ 3,625,315

**City of St. Joseph, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

Section 1 - Summary of Auditor's Results

Financial Statements:

Type Audit Report Issued on the Basic Financial Statements of Auditee

Unqualified

Internal Control Over Financial Reporting

Significant deficiency identified, not considered to be a material weaknesses.

See findings 08-01

General Compliance

The audit did not disclose any instances of noncompliance, which would be material to the basic financial statements.

Federal Awards:

Internal Control Over Major Programs

No material weaknesses identified. No significant deficiencies reported.

Type Audit Report Issued on Compliance for Major Programs

Unqualified

Audit Findings

The audit did not disclose any audit findings that are required to be reported under OMB Circular A-133.

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.557	Women, Infants and Children
14.218	Community Development Block Grant
14.239	Home Investment Partnerships Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
97.036	Disaster Public Assistance Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Program

\$300,000

Auditee Qualified as a Low-risk Auditee

No

City of St. Joseph, Missouri
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2008

Section 2 – Financial Statement Findings

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

08-01 Financial Reporting - Construction in Progress

Condition

While performing our audit testing of construction in progress, we noted that certain preliminary project planning and engineering costs were not being considered in a timely manner in determining the amount of construction in progress reported on the financial statements. The City expends funds during the preliminary planning stages for potential projects that should be reported as construction in progress when the expenditure has been incurred. It was noted that the City's finance and public works departments both maintain separate information systems to account for construction related costs. The information systems maintained by each department are not reconciled on a regular basis. As a result, an adjustment was needed to properly record construction in progress and capital outlay.

Recommendation

We recommend that management develop formal policies and procedures regarding the recording of preliminary project planning and engineering costs for capital asset projects. We also recommend the City improve the reconciliation processes between the information systems maintained by the finance and public works departments.

Management's Response

In FY2009 we have ensured that all capital outlay is categorized as a capitalized or non-capitalized asset when the expenditure has been incurred including engineering and/or architectural design expenses.

Public works' information tracking system (FoxPro) is the re-entering of revenues and expenditures previously recorded in the City's accounting software (IFAS) and is used for the capital project manager's purposes only, so there is no need to reconcile the two information systems.

Summary Schedule of Prior Audit Findings

07-01 Financial Reporting Process

Condition

During our audit, we noted instances in which certain accounts in the general ledger did not agree to the underlying supporting documentation presented to us. We believe that internal control over the account reconciliation and general ledger maintenance processes were not operating effectively. As a result, adjusting entries were required to adjust the financial statements and general ledger account balances to the underlying supporting documentation.

Recommendation

We recommended that management review and revise internal control policies and procedures related to reconciling supporting schedules and other documentation to the general ledger on a timely basis.

Current Status

The recommendation was implemented.

City of St. Joseph, Missouri
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2008

Section 2 – Financial Statement Findings (continued)

Summary Schedule of Prior Audit Findings (continued)

07-02 Airport Grant and Capital Asset Reporting

Condition

The City has an ongoing federally funded capital project relating to airport improvements for the Missouri Air National Guard Base. Costs related to this project were being expensed as incurred, however, the grant agreement provides that title to the property on the Base and the related improvements will revert to the City upon completion of the project. Accordingly, an adjustment was required to capitalize these costs as City property. Management also determined that agreements for similar projects completed in previous years had the same provisions, and that the costs of the previous projects that were originally expensed should have been capitalized and depreciated as City property. Accordingly, we believe that the internal controls over the understanding of the Airport grant and the related financial statement reporting impact were not operating effectively. As a result, an adjustment to the opening balance of net assets for the Airport Fund was required.

Recommendation

We recommended that the management review and revise internal control policies and procedures related to the impact of various grant and other types of agreements on the City's financial statements.

Current Status

The recommendation was implemented.

Section 3 – Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

City of St. Joseph, Missouri
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2008

Section 3 – Federal Award Findings and Questioned Costs (continued)

Summary Schedule of Prior Audit Findings

07-03 National Guard Military Operations and Maintenance Projects, CFDA #12.401, Cash Management

Condition

We noted during our testing that amounts advanced to the City for costs related to the National Guard Operations Grant were not segregated from other funds of the City. As a result, interest earned on these funds prior to their disbursement by the City for project costs was not remitted to the appropriate agency as required by federal regulations.

Recommendation

We recommended that the City implement procedures to ensure that federal funds received are appropriately segregated until disbursed, and that any interest earned on these funds be periodically remitted to the appropriate federal agency.

Current Status

The recommendation was implemented.

07-04 Community Development Block Grant, CFDA #14.218, HOME Investment Partnership Program, CFDA #14.239, Reporting

Condition

We noted during our audit that HUD form 60002 was not filed as required for rehabilitation projects exceeding \$200,000 for the Community Development Block Grant and Home Investment Partnership programs.

Recommendation

We recommended that the City implement procedures to ensure that these reports are filed as required and contain all necessary information pertaining to the rehabilitation projects.

Current Status

The required report was filed for the current fiscal year.

COMPLIANCE REPORTS



COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

1251 NW Briarcliff Parkway
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

**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***

To the Honorable Mayor and City Council
City of St. Joseph, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Joseph, Missouri (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Other Offices

1333 Meadowlark Lane
Kansas City, KS 66102
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(913) 287-0010 FAX

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as identified in Finding 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of City, in a separate letter dated December 12, 2008.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2008





COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

1251 NW Briarcliff Parkway
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

To the Honorable Mayor and City Council
City of St. Joseph, Missouri

Compliance

We have audited the compliance of the City of St. Joseph, Missouri, (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

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Kansas City, KS 66102
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(913) 287-0010 FAX

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In our opinion, the City, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2008

A handwritten signature in black ink, appearing to read "C. J. Hill", is written over the date. The signature is fluid and cursive.