

**CITY OF ST. JOSEPH, MISSOURI**

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

**FOR THE YEAR ENDED JUNE 30, 2009**

**City of St. Joseph, Missouri  
Single Audit Report  
(OMB Circular A-133)  
For the Year Ended June 30, 2009**

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

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2009. 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. Those standards 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 November 20, 2009, 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.

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.

November 20, 2009

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ADDITIONAL INFORMATION

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**City of St. Joseph, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Grantor Agency	Federal CFDA Number	Grant Program Number	Current Year Expenditures	Amount Passed Through to Subrecipients
<b>U.S. Department of Agriculture:</b>				
Passed Through Missouri Department of Health and Senior Services:				
2008 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-8225	\$ 84,257	\$ -
2009 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-9225	186,916	-
CNP Summer Food Service Program	10.559	ERS219-9201i	480	-
<b>Total U.S. Department of Agriculture</b>			271,653	-
<b>U.S. Department of Housing and Urban Development:</b>				
Community Development Block Grant:				
2007 Entitlement	14.218	B-07-MC-29-0004	1,666,735	393,003
2008 Entitlement	14.218	B-08-MC-29-0004	202,274	37,116
Home Investment Partnerships Program:				
2004 Home Investment Partnerships Program	14.239	M-04-MC-29-0208	72,811	72,811
2005 Home Investment Partnerships Program	14.239	M-05-MC-29-0208	290,667	290,667
2006 Home Investment Partnerships Program	14.239	M-06-MC-29-0208	72,636	72,636
2007 Home Investment Partnerships Program	14.239	M-07-MC-29-0208	110,186	104,892
2008 Home Investment Partnerships Program	14.239	M-08-MC-29-0208	205,035	-
2008 Home Repair Opportunity Program (HeRO)	14.239	M-07-SG-29-0100	132,000	-
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	MO01703002	34,916	-
<b>Total U.S. Department of Housing and Urban Development</b>			2,862,260	1,046,125
<b>U.S. Department of Justice:</b>				
Weed & Seed Grant				
Weed & Seed Grant	16.595	2007WSQ70142	70,844	40,500
Bullet Proof Vest Partnership Grant				
Bullet Proof Vest Partnership Grant	16.607	NA	12,856	-
Passed Through Missouri Department of Public Safety:				
2007 Enforcing Underage Drinking Laws	16.727	2007-EUDL-27	6,767	-
2008 Enforcing Underage Drinking Laws	16.727	2008-EUDL-0006	499	-
<b>Total U.S. Department of Justice</b>			90,966	40,500
<b>U.S. Department of Transportation:</b>				
Federal Aviation Administration:				
Passed through Missouri Department of Transportation:				
Airport Improvement Program	20.106	AIRE 056-12A	115,425	-
Federal Highway Administration:				
Highway Planning and Construction	20.205	Various	1,092,811	-
Federal Transit Authority:				
Federal Transit Grant (JARC)	20.500	Various	125,684	-
Federal Transit Administration Grant (Operations)	20.507	MO-90-X236	1,121,172	-
Department of Public Safety:				
Passed Through Missouri Division of Highway Safety:				
Missouri Highway Safety Project	20.601	Various	48,980	-
<b>Total U.S. Department of Transportation</b>			2,504,072	-
<b>Federal Emergency Management Agency:</b>				
Passed Through State Emergency Management Agency :				
Emergency Management Grant	97.042	2008-EM-E8-0004	2,086	-
Emergency Management Grant	97.042	2009-EM-E8	6,258	-
Homeland Security Grant	97.067	2006-GE-T6-0067	7,834	-
<b>Total Federal Emergency Management Agency</b>			16,178	-

See the Notes to the Schedule of Expenditures of Federal Awards

**City of St. Joseph, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<b>Grantor Agency</b>	<b>Federal CFDA Number</b>	<b>Grant Program Number</b>	<b>Current Year Expenditures</b>	<b>Amount Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services:</b>				
Childhood Lead Poisoning Prevention Passed Through Substance Abuse/ Mental Health Services:	93.197	DH090012001	3,242	-
2007 St. Joseph Youth Alliance Grant	93.243	SJPD2007COMP	2,051	-
2008 St. Joseph Youth Alliance Grant	93.243	SJPD2008COMP	5,575	-
Passed Through Missouri Department of Health and Senior Services:				
Community Pandemic Preparedness Planning	93.283	DH080019087	16,477	-
Regional Health Emergency Planning & Preparedness	93.283	AOC08380322	61,031	-
Child Care Health Consultation	93.575	DHO90004104	4,566	-
HIV Case Management	93.917	AOC06380216	10,488	-
HIV Case Management	93.917	AOC09380040	78,160	-
HIV Prevention	93.940	AOC03830396	66,434	-
Maternal & Child Health Services	93.994	AOC08380319	40,130	-
Passed Through Missouri Department of Social Services: Homeless Challenge Program	93.569	HCP-41	34,106	34,106
<b>Total U.S. Department of Health and Human Services</b>			<u>322,260</u>	<u>34,106</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,067,389</u>	<u>\$ 1,120,731</u>

See the Notes to the Schedule of Expenditures of Federal Awards

**City of St. Joseph, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

**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, 2009.

**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, 2009, are as follows:

<b>CFDA Number</b>	<b>Program</b>	<b>Loans Outstanding at June 30, 2009</b>
14.218	Community Development Block Grant	\$ 1,450,975
14.239	HOME Investment Partnerships Program	2,453,712
<b>Total</b>		<b>\$ 3,904,687</b>

**City of St. Joseph, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

**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 deficiencies identified, considered to be material weaknesses.

See findings 09-01

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

Type Audit Report Issued on Compliance for Major Programs  
Unqualified

Audit Findings  
09-02 Community Development Block Grant, CFDA #14.218, Earmarking

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
14.239	Home Investment Partnerships Program
20.507	Federal Transit Operating Assistance

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, 2009**

**Section 2 – Financial Statement Findings**

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

**09-01 Financial Reporting – Capital Assets**

Our testing of capital assets disclosed material adjustments that were required to properly report the City's governmental and business-type capital assets. These adjustments include the following:

- We noted instances in which capital projects were completed, but had not yet been closed and removed from the construction-in-progress account.
- Construction period interest should be capitalized and included as a cost of the related asset for business-type activities.
- The costs of studies and plans not directly associated with a specific capital project should not be capitalized.

Due to the complexities of accounting for capital assets, we recommend that management explore various alternatives to improving the controls over capital assets financial reporting including the use of governmental accounting standards and reference guides and financial statement completion and disclosure check lists provided by the Government Finance Officers Association, the American Institute of Certified Public Accountants, (AICPA), the Governmental Accounting Standards Board (GASB) and other various financial publishing companies.

*Management's Response*

Summary Schedule of Prior Audit Findings

**08-01 Financial Reporting - Construction in Progress**

Finding

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 recommended 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.

**City of St. Joseph, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2009**  
**Section 3 – Federal Award Findings and Questioned Costs**

Current Status

The recommendation was implemented in the current year.

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

09-02 Community Development Block Grant, CFDA #14.218, Earmarking

Condition

During our testing we noted that the City had exceeded certain earmarking thresholds for the Community Development Block Grant (CBDG) federal program.

Criteria

Not more than 20 percent of the total grant, plus 20 percent of program income received during a program year, may be obligated for activities that qualify as planning and administration. The calculated percentage for the year ended June 30, 2009 was 21.3 percent. In addition, the amount obligated to public service agencies may not exceed the greatest of 15 percent or the amount obligated in Federal Fiscal Year 1982 or 1983 which was 19.8 percent. The calculated percentage for the year ended June 30, 2009 was also 21.3 percent.

Cause

The City does not have adequate procedures to review and monitor earmarking requirements. Budgeted expenditures for planning and administration and public service agencies were based on budgeted revenues and program income. As a result of actual program income amounts being lower than budgeted amounts, available revenues and program income was insufficient as a percentage of earmarking thresholds for actual planning and administrative and public service agencies costs charged to the program.

Effect

The City was noncompliant with the requirements of the grant as it relates to the earmarking thresholds.

Questioned Costs

\$56,307 (\$26,758 – Planning and Administration and \$29,549 Public Service Agencies)

Recommendation

Procedures should be implemented to review and monitor the City's compliance with these earmarking requirements.

**City of St. Joseph, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2009**  
**Section 3 – Federal Award Findings and Questioned Costs**

Management's Response

Summary Schedule of Prior Audit Findings

None.

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## COMPLIANCE REPORTS

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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***

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2009. 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 deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as identified in Finding 09-01.

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, of the significant deficiencies described above, we consider Finding 09-01 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the City, in a separate letter dated November 20, 2009.

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.

November 20, 2009

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

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 each of its major federal programs for the year ended June 30, 2009. 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.

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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as items 09-02.

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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-02 to be a significant deficiency.

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. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

November 20, 2009