

CITY OF WARRENSBURG, MISSOURI

SINGLE AUDIT REPORT  
(OMB Circular A-133)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

 **COCHRAN HEAD VICK & CO., P.C.**  
*Certified Public Accountants*

**City of Warrensburg, Missouri  
Single Audit Report  
(OMB Circular A-133)  
For the Year Ended September 30, 2011**

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A copy of the City of Warrensburg, Missouri's Financial Statements for the year ended September 30, 2011 accompanies this report. The independent auditor's report and the financial statements are hereby incorporated by reference.	
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**Independent Auditor's Report on Schedule  
of Expenditures of Federal Awards**

To the Honorable Mayor and City Council  
City of Warrensburg, 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 Warrensburg, Missouri (the City) as of and for the year ended September 30, 2011, and have issued our report thereon dated April 30, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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April 30, 2012

*Cochran Head Vick Ho., P.C.*

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ADDITIONAL INFORMATION

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City of Warrensburg, Missouri  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2011

Program	CFDA#	Federal Expenditures
<b>U.S. Department of Justice:</b>		
<b>Direct Funding -</b>		
Police Body Armor Grant	16.607	\$ 1,255
<i>Total Department of Justice</i>		<u>1,255</u>
<b>U.S. Environmental Protection Agency:</b>		
<b>Passed through the Missouri Department of Natural Resources -</b>		
Capitalization Grants for Clean Water State Direct Loan Program	66.458	2,125,587
<i>Total U.S. Environmental Protection Agency</i>		<u>2,125,587</u>
<b>U.S. Department of Homeland Security:</b>		
<b>Passed Through State Emergency Management Agency -</b>		
Emergency Management Grant	97.036	59,473
<i>Total U.S. Department of Homeland Security</i>		<u>59,473</u>
<b>U.S. Department of Housing and Urban Development:</b>		
<b>Passed through the Missouri Department of Economic Development -</b>		
Community Development Block Grant	14.228	29,872
<i>Total U.S. Environmental Protection Agency</i>		<u>29,872</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 2,216,187</u>

See accompanying notes to the schedule.

**City of Warrensburg, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2011**

**Note 1. Organization**

The City of Warrensburg, Missouri (the City), 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 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. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at September 30, 2011.

**Note 5. Outstanding Loans**

The City has an outstanding loan commitment under the Clean Water Direct Loan Program from the Missouri Department of Natural Resources, as a pass through agency for the Environmental Protection Agency (CFDA #66.458). As of September 30, 2011, the outstanding loan payable balance, reflecting the balance of draw downs as of year end, was \$16,134,620.

**City of Warrensburg, Missouri  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011**

**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  
No significant deficiencies reported, material weaknesses were identified.

See finding 2011-01

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 disclosed no 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>
66.458	Capitalization Grants for Clean Water Direct Loan Program

Dollar Threshold Used to Distinguish Between Type A and Type B Program  
\$300,000

Auditee Qualified as a Low-risk Auditee  
No

**City of Warrensburg, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended September 30, 2011**

**Section 2 – Financial Statement Findings**

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

**2011-01 - Financial Reporting**

Condition

Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and Schedule of Expenditures of Federal Awards (SEFA) and related notes in conformity with U.S. generally accepted accounting principles.

Under professional standards, we have to assess the City's controls over preparing the financial statements and SEFA including assessing the skills and competencies necessary to prevent, detect, and correct a material misstatement. A system of internal control over financial reporting includes controls over financial statement and SEFA preparation, including disclosures. Control deficiencies exist when the City does not have controls over preparation of the financial statements or SEFA which would prevent or detect a misstatement in the financial statements or SEFA. As part of our audit, management requested us to prepare a draft of the City's financial statements and SEFA and the related notes. Management reviewed, approved, and accepted responsibility for those reports prior to their issuance. The outsourcing of these services is not unusual for a City the size of Warrensburg. However, we cannot be considered part of the City's internal control over financial reporting. Accordingly, we consider this deficiency in the City's internal controls over financial reporting to be a material weakness.

Material Adjustments

While performing our audit procedures, we determined that the following adjustments related to the recording and reporting of certain transactions and account balances were required that were material to the financial statements. Accordingly, we consider these control deficiencies over financial reporting to be material weaknesses.

- Adjustment to record capital lease obligation \$154,952.
- Adjustment to record special assessments receivable \$2,785,987.
- Adjustment related to the interlocal funding agreement from the school district to the City of \$43,310.
- Adjustment to record certain amounts due related to development agreements \$24,689.
- Adjustment to record grant receivable of \$53,034.
- Adjustment to correct retainage payable \$241,286
- Adjustments to reconcile/reclassify capital assets, construction in progress, and related accounts \$5,478,291.
- Adjustment to reclassify amounts restricted for bond reserves of \$340,000.

Cause

The City does not have controls over preparation of the financial statements and SEFA which would prevent or detect a misstatement in the financial statements or SEFA.

Effect

The financial statements and SEFA may be materially misstated and/or not contain all required disclosures and federal programs.

**City of Warrensburg, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended September 30, 2011**

Recommendation

We recommend that management review its processes related to identifying and recording certain accounting transactions including yearend account balance reconciliations and review related to but not limited the above adjustments. In addition, we recommend that management review departmental communication related to identifying and recording grant activities, capital assets activities, and non-cash and non-routine transactions.

Due to the complexities of accounting for debt related transactions, capital asset activity, and other transactions we recommend that management explore various alternatives to improving the controls over financial reporting and preparation of the schedule of expenditures of federal awards including the use of outside accounting professionals, continuing education and training courses and the use of reference guides provided by the Government Finance Officers Association, (GFOA), the American Institute of Certified Public Accountants, (AICPA), the Governmental Accounting Standards Board (GASB), Office of Management and Budget(OMB) and other various financial publishing companies.

Management's Response

Management is prepared to review this material weakness and determine whether or not financially the City is able to outsource the preparation of the financial statements and SEFA. We will address the control deficiencies and incorporate a system of internal controls over the financial reporting and SEFA preparation. Funding and budget is an issue but we will work to correct this material weakness and the material adjustments cited by this audit. Adjustment to the fund coding system and elimination of numerous transfers has already taken place.

Summary Schedule of Prior Audit Findings

**2010-01 – Financial Reporting**

Condition - Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles.

Under professional standards, we have to assess the City's controls over preparing the financial statements including assessing the skills and competencies necessary to prevent, detect, and correct a material misstatement. A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. Control deficiencies exist when the City does not have controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements. As part of our audit, management requested us to prepare a draft of the City's financial statements and the related notes. Management reviewed, approved, and accepted responsibility for those statements prior to their issuance. The outsourcing of these services is not unusual for a City the size of Warrensburg. However, we cannot be considered part of the City's internal control over financial reporting. Accordingly, we consider this deficiency in the City's internal controls over financial reporting to be a material weakness.

**City of Warrensburg, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended September 30, 2011**

Recommendation - We recommend that management review its processes related to identifying, communicating, and recording such non-cash and non-routine accounting transactions. In addition, due to the complexities of accounting for long-term debt transactions, capital asset activity, and non-routine transactions we recommend that management explore various alternatives to improving the controls over financial reporting including the use of continuing education and training courses and the use of reference guides provided by the Government Finance Officers Association, (GFOA), the American Institute of Certified Public Accountants, (AICPA), the Governmental Accounting Standards Board (GASB) and other various financial publishing companies.

Current Status - Comment repeated as finding 2011-01

**Section 3 – Federal Award Findings and Questioned Costs**

Federal Award Findings Required to be reported in Accordance with OMB Circular A-133.

None

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 Warrensburg, 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 Warrensburg, Missouri (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2011-01 to be material weaknesses.

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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 other matters that we reported to management of the City, in a separate letter dated April 30, 2012.

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.

April 30, 2012

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**Independent Auditor's Report on Compliance with Requirements That Could Have A  
Direct and Material Effect on Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and City Council  
City of Warrensburg, Missouri

Compliance

We have audited the City of Warrensburg, 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 the City's federal program for the year ended September 30, 2011. The City's major federal program is 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 program 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 identified in the accompanying schedule of findings and questioned costs 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 of the City's compliance with those requirements.

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In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, 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 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.

April 30, 2012

*Codrin Herod V. de Ho, P.C.*