

**CITY OF ST. JOSEPH, MISSOURI**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

**City of St. Joseph, Missouri  
Single Audit Report  
(OMB Circular A-133)  
For the Year Ended June 30, 2007**

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COCHRAN HEAD VICK & CO., P.C.

& Co

*Certified Public Accountants*

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

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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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2007. 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 November 30, 2007, 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 should be considered in assessing the results of our audit.

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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 30, 2007

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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, 2007**

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:				
2006 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-6225	\$ 78,976	\$ -
2007 Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ERS045-7225	146,581	-
<b>Total U.S. Department of Agriculture</b>			<u>225,557</u>	<u>-</u>
<b>U.S. Department of Commerce:</b>				
Economic Adjustment Assistance Grant				
	11.307	05-69-04185	63,057	-
<b>Total U.S. Department of Commerce</b>			<u>63,057</u>	<u>-</u>
<b>U.S. Department of Defense:</b>				
Passed Through MO Air National Guard National Guard Military Operations and Maintenance Projects				
	12.401		800,978	-
<b>Total U.S. Department of Commerce</b>			<u>800,978</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development:</b>				
Community Development Block Grant:				
2005 Entitlement	14.218	B-05-MC-29-0004	1,404,161	158,446
2006 Entitlement	14.218	B-06-MC-29-0004	942,662	375,349
Home Investment Partnerships Program:				
2003 Home Investment Partnerships Program	14.239	M-03-MC-29-0208	230,851	230,851
2005 Home Investment Partnerships Program	14.239	M-05-MC-29-0208	44,120	-
2006 Home Investment Partnerships Program	14.239	M-06-MC-29-0208	247,332	-
Passed Through Missouri Department of Social Services State Emergency Shelter:				
2005 State Emergency Shelter	14.231	ERO-1640710	75,000	75,000
Supportive Housing Assistance - HMIS	14.235	MO01B203001	12,935	-
Economic Development Initiative - Heartland Demolition	14.426	B05-SP-MO-0149	326,025	-
<b>Total U.S. Department of Housing and Urban Development</b>			<u>3,283,086</u>	<u>1,069,701</u>
<b>U.S. Department of Interior:</b>				
Passed Through Missouri Department of Natural Resources 2006 Annual Statewide Preservation Conference				
	15.904	29-06-21528-611	10,000	-
<b>Total U.S. Department of Interior</b>			<u>10,000</u>	<u>-</u>
<b>U.S. Department of Justice:</b>				
Weed & Seed Grant				
	16.595	2005WSQ50167	143,278	29,033
Bullet Proof Vest Partnership Grant				
	16.607	NA	1,068	-
COPS Technology Grant				
	16.710	2006-CKWX0028	24,681	-
Edward Byrne Memorial Grant				
	16.738	2006 DJ BX 0169	10,961	5,594
<b>Total U.S. Department of Justice</b>			<u>179,988</u>	<u>34,627</u>
<b>U.S. Department of Transportation:</b>				
Federal Aviation Administration:				
Passed through Missouri Department of Transportation:				
Airport Improvement Program	20.106	AIRE 035-12A	9,590	-
Airport Improvement Program	20.106	AIRE 045-12A	31,418	-
Federal Highway Administration:				
Highway Planning and Construction (PL)	20.205	MO-80-X001	91,941	-
Federal Transit Authority:				
Federal Transit Administration Grant (Operations)	20.507	MO-90-X236	982,072	-

(Continued)

City of St. Joseph, Missouri  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Grantor Agency	Federal CFDA Number	Grant Program Number	Current Year Expenditures	Amount Passed Through to Subrecipients
<b>U.S. Department of Transportation (continued):</b>				
Department of Public Safety:				
Passed Through Missouri Division of Highway Safety:				
Central Missouri State University - Missouri Safety Center Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.600	GAC067	987	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-154-AL-91 (DWI)	6,828	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-PT-02-128 (HVM)	7,974	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-154-AL-92 (SOB)	3,202	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-PT-02-127 (OP)	3,160	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-154-AL-93 (Y ALC)	12,276	-
<b>Total U.S. Department of Transportation</b>			<b>1,149,448</b>	-
<b>Federal Emergency Management Agency:</b>				
Passed Through State Emergency Management Agency :				
Emergency Management Grant	97.042	2006-EM-E6-0037	2,206	-
Emergency Management Grant	97.042	2007-EM-E7-0026	6,620	-
Homeland Security Grant	97.067	2006-GE-T6-0067	80,821	-
<b>Total Federal Emergency Management Agency</b>			<b>89,647</b>	-
<b>U.S. Department of Health and Human Services:</b>				
Passed Through Missouri Department of Health and Senior Services:				
Nutrition & Physical Activity for Obesity Prevention	93.283	AOC05380180	20,000	-
Mosquito Surveillance	93.283	AOC06380216	5,280	-
Community Pandemic Preparedness Planning	93.283	AOC07380009	16,150	-
Community Pandemic Preparedness Planning	93.283	DH070011083	20,843	-
Regional Health Emergency Planning & Preparedness	93.283	AOC06380195	31,454	-
Regional Health Emergency Planning & Preparedness	93.283	AOC07380085	41,515	-
HIV Case Management	93.917	AOC06380056	97,266	-
HIV Prevention	93.940	AOC05380241	58,127	-
Maternal & Child Health Services	93.994	AOC06380216	41,021	-
<b>Total U.S. Department of Health and Human Services</b>			<b>331,656</b>	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 6,133,417</b>	<b>\$ 1,104,328</b>

**City of St. Joseph, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

**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, 2007.

**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, 2007, are as follows:

<b>CFDA Number</b>	<b>Program</b>	<b>Loans Outstanding at June 30, 2007</b>
14.218	Community Development Block Grant	\$ 1,491,225
14.239	HOME Investment Partnerships Program	2,416,729
<b>Total</b>		<b>\$ 3,907,954</b>

**City of St. Joseph, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**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, one of which is considered to be a material weaknesses.

See findings 07-01 and 07-02

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 deficiencies identified, not considered to be material weaknesses.

See findings 07-03 and 07-04

Type Audit Report Issued on Compliance for Major Programs  
Unqualified

Audit Findings

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

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

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
12.401	National Guard Military Operations and Maintenance Projects
14.218	Community Development Block Grant
14.239	HOME Investment Partnerships 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 St. Joseph, Missouri**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2007**

**Section 2 – Financial Statement Findings**

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

07-01 Reconciliation of Accounts to the General Ledger

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 recommend that the 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.

Management's Response

Management would contend that the internal control processes are effective, but not as efficient as they should be. Most of the journal entries noted by the auditors are those routinely done at year end. Given the timing of the auditors' visit, the adjusting entries had not yet been done.

However we agree that those adjustments need to be made in a timelier manner. Accounting will routinely reconcile the general ledger balances to the underlying supporting documentation periodically throughout the year instead of just at year end in order to provide a timelier trial balance.

07-02 Airport Grant and Capital Asset Reporting

Condition

Currently, 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 recommend 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.

Management's Response

Beginning in February 2008 a new Airport Manager began employment and will be responsible for reviewing all current and future Aviation grant and other agreements. In addition, Accounting staff will review for items that may impact the City's financial statements.

Summary Schedule of Prior Audit Findings

None

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

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

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.

Criteria

Federal regulations require that any interest earned on funds advanced through federal grants be remitted to the appropriate federal agency.

Effect

The City did not have procedures in place to segregate and record interest earned on advanced grant funding.

Questioned Costs

\$4,443

Recommendation

We recommend 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.

Management's Response

Prior auditors had opined that the current ANG expansion at Rosecrans Airport and the pass-through federal monies involved were non-grant related per se.

Since federal funds are almost universally received only on a "reimbursable" basis, instances where the City would receive monies in advance are rare. The one and only instance noted by the auditors came about when the ANG found itself in a position of "use it or lose it" and funds were advanced before work had actually occurred.

There was a failure to segregate the monies in this one instance and Accounting will review all requirements included in any new grant documents to ensure that any future federal funds received prior to actual expenditures occurring are appropriately segregated until disbursed, and that any interest earned on these funds be remitted to the appropriate federal agency.

In addition, beginning in February 2008 a new Airport Manager began employment and will be responsible for reviewing all current and future Aviation grant and other agreements.

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.

Criteria

Program compliance requirements mandate that the City provide certain program performance information for Federal oversight.

Effect

The City was not in compliance with the reporting requirements of the programs.

Questioned Costs

None.

Recommendation

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

Management's Response

Accounting will review all grant compliance supplements to ensure that all federal reporting requirements are met in a timely manner. This will include review with the local federal compliance agency which, itself, had never asked for the form in question nor been aware that it was required.

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***

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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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2007. 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.

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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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting identified as Findings 07-01 and 07-02.

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 07 02 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 November 30, 2007.

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 30, 2007





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

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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, 2007. 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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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, 2007. 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 which are described in the accompanying schedule of findings and questioned costs as items 07-03 and 07-04.

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 the entity's 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 significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-03 and 07-04 to be significant deficiencies.

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. However, we believe that the significant deficiencies described above are not material weaknesses.

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 30, 2007

