

WEST CENTRAL MISSOURI
COMMUNITY ACTION AGENCY
APPLETON CITY, MISSOURI

FINANCIAL STATEMENTS

For the Year Ended August 31, 2010
(With Accountant's Report Thereon)

TAYLOR, HOSKINS & SHAW
Certified Public Accountants, LLC

Clinton, Missouri 64735

Warrensburg, Missouri 64093

**WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
APPLETON CITY, MISSOURI**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Central Missouri
Community Action Agency
Appleton City, Missouri

We have audited the accompanying Statement of Assets, Liabilities and Net Assets of West Central Missouri Community Action Agency (a nonprofit corporation) as of August 31, 2010 and the related Statements of Revenues and Expenses and Changes in Net Assets for the year then ended. These financial statements are the responsibility of West Central Missouri Community Action Agency's management. Our responsibility is to express an opinion 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 proves a reasonable basis for our opinion.

As described in Note 1, the financial statements are prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of West Central Missouri Community Action Agency as of August 31, 2010, and its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2010 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report on considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of West Central Missouri Community Action Agency taken as a whole. The accompanying schedules of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. The accompanying supplementary data identified as Schedules 1-5 are presented for purposes of additional analysis, and are also not a required part of the financial statements. All such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Taylor, Hawkins & Shaw, CPA's, LLC

Clinton, Missouri
Warrensburg, Missouri
February 24, 2011

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS (DEFICIT)
August 31, 2010

<u>ASSETS</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
<u>Current assets</u>						
Cash in bank (Note 1)	\$	\$	\$	\$49,298	\$1,472,905	\$ 1,522,203
Short term investments (Note 1)					1,433,238	1,433,238
Accounts receivable:						
Grant awards (Note 1)					1,229,289	1,229,289
Other					410,684	410,684
Interfund loans					595,665	595,665
Prepaid expenses, deposits and other assets	11,211	-	-	-	119,645	130,856
Total current assets	<u>11,211</u>	<u>-</u>	<u>-</u>	<u>49,298</u>	<u>\$ 5,261,426</u>	<u>\$ 5,321,935</u>
<u>Other Assets</u>						
Land held for investment	-	-	-	-	-	-
<u>Restricted deposits (Note 3)</u>	-	<u>1,449,127</u>	-	-	-	<u>\$ 1,449,127</u>
<u>Land, buildings, property and equipment (Note 1)</u>						
Property and equipment	4,381,886					4,381,886
Section 202 housing:						
Land and improvements	1,228,664					1,228,664
Buildings	11,722,857					11,722,857
Equipment	<u>352,398</u>	-	-	-	-	<u>352,398</u>
Total land, building, property and equipment	<u>17,685,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,685,805</u>
Total Assets	<u>\$ 17,697,016</u>	<u>\$ 1,449,127</u>	<u>\$ -</u>	<u>\$ 49,298</u>	<u>\$ 5,261,426</u>	<u>\$ 24,456,867</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS (DEFICIT)
August 31, 2010

<u>LIABILITIES AND NET ASSETS</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
<u>Current liabilities</u>						
Accounts payable and accrued expenses	\$ 1,086,522					\$ 1,086,522
Interfund loans	622,642					622,642
Current portion of long-term debt (Note 2)	124,907					124,907
Total Current Liabilities	<u>1,834,071</u>					<u>1,834,071</u>
<u>Long-term debt (Note 2)</u>						
Mortgage notes payable, less current portion	4,621,042					4,621,042
Total long term debt	<u>4,621,042</u>					<u>4,621,042</u>
Total liabilities	<u>6,455,113</u>					<u>6,455,113</u>
<u>Net Assets (deficit)</u>						
Unapplied grant revenues		476,647				476,647
Deficit balances to be reimbursed by grantor or transferred to unrestricted funds						-
Restricted use - Section 202 Housing	2,949,989					2,949,989
-Capital advances (Note 4)	6,958,500					6,958,500
Unrestricted	808,069					808,069
Reserve for property and equipment		<u>1,876,994</u>			<u>4,931,555</u>	<u>6,808,549</u>
Total net assets	<u>10,716,558</u>	<u>2,353,641</u>			<u>4,931,555</u>	<u>18,001,754</u>
Total liabilities and net assets	<u>\$ 17,171,671</u>	<u>\$ 2,353,641</u>			<u>\$ 4,931,555</u>	<u>24,456,867</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
STATEMENT OF REVENUES AND EXPENSES
Year Ended August 31, 2010

	<u>Restricted Funds</u>	<u>Unrestricted Funds</u>
<u>Revenue (Note 1)</u>		
Grant revenue	\$ 23,450,281	\$ -
USDA donated foods received	-	-
Program income	143,317	1,273,845
In-kind contributions (Note 1)	1,404,003	-
Section 202 rent income	1,488,890	-
Interest	16,873	25,461
CHDO rents	29,801	-
Indirect cost pool reimbursements	-	1,131,226
Section 202 - Capital advance	-	-
	<hr/>	<hr/>
Total Revenue	<u>26,533,165</u>	<u>2,430,532</u>
<u>Expenses</u>		
Personnel and fringe benefits	7,620,150	1,498,332
Consultant and contract services	1,936,326	172,531
Travel	322,411	87,360
Space costs and rental	1,027,119	73,960
Consumable supplies	2,321,760	97,542
Rent, lease, purchase and renovations of property and equipment (Note 1)	443,195	186,442
Other	762,242	245,630
In-kind (Note 1)	1,377,666	-
Indirect costs (Note 1)	1,039,850	83,888
Section 8 - Housing Assistance Payments	6,143,089	-
USDA donated foods distributed	-	74
Participant wages, fringe benefits, support and beneficiary costs	2,878,817	29,414
Interest on Section 202 mortgages	360,992	-
Donations Payable	-	53,916
	<hr/>	<hr/>
Total Expenses	<u>26,233,617</u>	<u>2,529,089</u>
Revenues over (under) expenses	<u>\$ 299,548</u>	<u>\$ (98,557)</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
 STATEMENTS OF CHANGES IN NET ASSETS
 Year Ended August 31, 2010

	<u>Restricted Funds</u>	<u>Unrestricted Funds</u>
Net assets, September 1, 2009 (excluding reserve for property and equipment)	\$ 10,830,010	\$ 3,193,261
Revenues over (under) expenses	299,548	(33,556)
Transfer unrestricted funds	<u>-</u>	<u>(105,367)</u>
Net assets, August 31, 2010 (excluding reserve for property and equipment)	<u>\$ 11,129,558</u>	<u>\$ 3,054,338</u>
Reserve for property and equipment, September 1, 2009	\$1,950,785	\$1,903,243
Additions to property and equipment	-	121,952
Cost of property and equipment removed when sold or retired	<u>-</u>	<u>(97,894)</u>
Reserve for property and equipment, August 31, 2010	<u>\$ 1,950,785</u>	<u>\$ 1,927,301</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

West Central Missouri Community Action Agency (the Agency) was incorporated July 19, 1965 as a private nonprofit organization. The agency's purpose is to function as a Community Action Agency designated through the Economic Opportunity Act of 1964. Community Action Agencies receive funding by contracting with Federal, State and local governments and other available sources to provide opportunities for the disadvantaged.

The agency is governed by a 27 member Board of Directors comprised of three persons from each of the nine counties served in West Central Missouri.

Scope of the Reporting Entity

The West Central Missouri Community Action Agency reporting entity includes all programs funded to and administered directly by the Agency and the following related entities: Greenleaf Estates, Prairie Estates, Oaktree Villa, Maplewood Estates, Inc., Willow Estates, Hickory Estates, Inc., Cedar Ridge Apartments, Inc., and WCM Community Development Corporation (not-for-profit corporations), which are all under the common control of West Central Missouri Community Action Agency and its Board of Directors.

Also included in the reporting entity is the St. Clair County Public Housing Authority. The St. Clair County PHA is a political subdivision under the oversight of the West Central Missouri Community Action Agency Board of Directors. West Central Missouri Community Action Agency performs basically all management functions for the PHA for which it receives a management fee which is included in unrestricted funds program income.

Certain related organizations are excluded from the reporting entity. These entities include Antioch Hills, L.P. and Hawthorn Estates, L.P. All of these entities are real estate housing limited partnerships of which the agency acts as General Partner and has a 1 percent ownership interest. The agency manages these housing projects under a management fee contract.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, revenues are recorded when earned in accordance with grant agreements and expenditures are recorded when allowed in accordance with grant terms. The more significant differences between that basis and generally accepted accounting principles are:

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – Property and equipment are recorded at cost if purchased by the Corporation or at transfer price if received from another government agency. The property and equipment are recorded as an expense in the respective unrestricted or restricted fund in the year purchased. However, the cost is also recorded as an asset with a corresponding amount recorded as a reserve for property and equipment which is part of net assets. This practice is not in accordance with generally accepted accounting principles which would require that such costs be capitalized and then depreciated over the estimated useful life of the related asset.

As allowed by OMB Circular A-110-Appendix A, West Central Missouri Community Action Agency changed its capitalization policy for land, buildings, property and equipment during fiscal year August 31, 2006. The new policy tracks and capitalizes physical assets acquired with unit costs in excess of \$5,000, unless the awarding agency requires a lower amount, then the lower amount is used. Physical assets with unit costs less than \$5,000 were expensed in the current year and assets capitalized in previous years with costs below \$5,000 were removed from the asset property and equipment and the related reserve for property and equipment.

Section 202 Housing, Land, Buildings and Equipment – Land, buildings and equipment consists of the Walnut Estates, Appleton Estates, Oaktree Villa, Greenleaf Estates, Prairie Estates, Willow Estates, Maplewood Estates and Hickory Estates HUD section 202 housing projects. Land, buildings and equipment are recorded at cost as an asset and no depreciation is recorded. This practice is not in accordance with generally accepted accounting principles which would require that the buildings be depreciated over their estimated useful lives.

HOME Investment Partnership Program Property & Equipment – Four residential homes were acquired in 1993 through a Missouri Housing Development Commission program to provide safe and affordable rental housing for low income families. The acquisition and renovation costs were recorded as an expense to the program, and the cost also recorded as an asset. However, as these properties were partially funded by low interest loans, the corresponding amounts recorded as a reserve of net assets represents the cost of the properties less the outstanding debt. At August 31, 2010, the outstanding debt on these properties was \$0.

The West Central MO Cedar Ridge Apartments, Inc., program constructed a low-income apartment complex in 1999. The total cost of construction was \$672,654. The acquisition and construction costs were recorded as an expense to the program, and the cost is also recorded as property and equipment. However, as this property is partially funded by a low interest loan, the corresponding amounts recorded as a reserve for property and equipment represents the cost of the property less the outstanding debt. At August 31, 2010, the outstanding debt on this property was \$137,740.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Vacation and Sick Leave – Most grant awards do not allow employee vacation and sick leave to be accrued as grant expenditure until paid. Consequently, the agency does not accrue vacation and sick leave but records it as an expense when paid. Under GAAP, vacation and sick leave would be recorded as an expense when earned by the employee.

Grantee's In-Kind Contributions and Expenditures – Donated labor, building space and supplies are recorded in the financial statements as in-kind revenue at the fair market value when received. A corresponding amount is also recorded as an in-kind expenditure. The Corporation follows the policy of recording only enough in-kind contributions to meet grant requirements. Donated items in excess of the amount required by grants are not recorded in the financial statements as required by generally accepted accounting principles.

Basis of Presentation – Fund Accounting

The accounts of the Agency are organized on the basis of individual program grants. The operations of each program are accounted for by providing a separate set of self-balancing accounts which are comprised of each programs assets, liabilities, net assets, and revenues and expenditures. Agency resources are allocated and accounted for by individual programs based upon the funding purposes for which they are to be spent and the means by which spending activities are controlled. The individual programs are combined into the restricted fund in the Statement of Revenues and Expenses. The following programs are included in the restricted fund:

Head Start Programs, Employment and Training Programs, HUD Section 202 Housing Programs, St. Clair County Public Housing Authority and Other Assistance Programs.

Programs grouped into the Other Assistance Programs are Family Planning, Weatherization Programs, Homemaker Programs, Community Services Block Grant Programs, Emergency Assistance Programs and other miscellaneous program grants.

Unrestricted funds include the General Operating Account, which accounts for the revenue and expenses of the Agency not directly allocated to a program and interfund charges for unrestricted agency owned assets; the Indirect Cost Pool, which accounts for the indirect costs of the agency to be allocated among other programs as applicable; and the PHA administrative Fee Account, which accounts for the administrative fees earned by the Agency from the St. Clair County PHA Housing Assistance programs and Property Management Administration Fund, which accounts for the administrative fees earned by the Agency from the various Section 202 & tax credit Housing Projects.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Basis of Presentation – Fund Accounting (continued)

Fund Equity

Fund equity presents the difference between assets and liabilities in the balance sheet. Fund equity invested in fixed assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Fund equity is reported in five categories.

1. Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (i.e. inventory, prepaids, long-term receivables, etc.)
2. Restricted – Restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments.
3. Committed – Constraint on use imposed by the entity itself, using the highest level of decision making authority (Board of Directors).
4. Assigned – Amounts that are intended by the government to be used for a specific purpose, but are neither restricted nor committed, should be reported as assigned fund balance.
5. Unassigned – Available for any purpose.

Cash in Bank and Investments

The agency maintains all demand deposit checking accounts at one bank. Interest bearing accounts are used when required by funding source or otherwise practical. The depository bank has pledged sufficient securities in addition to the Federal Deposit Insurance Corporation (FDIC) to fully secure all deposits.

Short-term investments are carried at cost and consist of certificates of deposits in various banks. All certificates of deposit are fully secured by the FDIC, or pledged securities.

Accounts Receivable – Grant Awards

Grant receivables consist of amounts due the Agency from funding sources at August 31, 2010. The receivables represent monies due for qualifying expenditures or services performed prior to August 31, 2010.

All grant receivables are considered 100% collectible; therefore, no allowance for uncollectible grant receivables is recognized.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Indirect Costs

The Agency maintains an indirect cost rate with the Department of Health and Human Services. Agency administrative costs are allocated to the various programs based upon the indirect cost rate applied to a base of salaries and fringe benefits. The Agency's indirect cost rate for the year ended August 31, 2010 was 14%. The Agency's indirect cost rate for the year ended August 31, 2011 is a provisional rate of 14.2%.

Tax Exempt Status

The Agency has been granted tax exempt status under IRS Code Section 501 (c) (3) and accordingly is not liable for Federal and State income taxes. It also has been classified as an organization that is not a private foundation under IRS Code and qualifies for the charitable contribution deduction for individual donors.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events

WCMCAA has evaluated subsequent events through February 24, 2011, the date on which the financial statements were available to be issued.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 2 **LONG-TERM DEBT**

NONSPENDABLE FUNDS

Section 202 Housing Programs

At August 31, 2010 long-term debt of the Section 202 Housing Programs consisted of the following:

Walnut Estates, a HUD Section 202 housing project, 9.25% mortgage note payable, due in monthly installments of \$7,072, including interest through November, 2024.	\$ 666,884
Appleton Estates, a HUD Section 202 housing project, 9.25% mortgage note payable, due in monthly installments of \$3,892, including interest, through November 2024.	369,058
Oaktree Villa, a HUD Section 202 housing project, 9.25% mortgage note payable, due in monthly installments of \$4,914, including interest, through December, 2026.	495,954
Greenleaf Estates, a HUD Section 202 housing project, 9.25% mortgage note payable, due in monthly installments of \$9,814, including interest, through February, 2027.	994,788
Prairie Estates, a HUD Section 202 housing project, 9.0% mortgage note payable due in monthly installments of \$12,462, including interest, through January 2030.	<u>1,370,251</u>
Subtotal	3,896,935
Less: current installments	<u>(105,159)</u>
Section 202 long-term debt, excluding current installments	<u>\$ 3,791,776</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 2 **LONG-TERM DEBT** (continued)

Other Assistance Programs – HOME Investment Partnership Program

Three loans, payable to the Missouri Housing Development Commission, originated in 1993, as part of a program to acquire and renovate four residential homes to provide safe and affordable homes for low income families. Proceeds from the rents of these homes are to provide the debt payments as well as operating costs.

At August 31, 2010 these HOME Investment Partnership Programs had no long-term debt as the final two loans were paid off during the year.

In 1999, a loan payable to the Missouri Housing Development Commission originated in relation to the construction of the Cedar Ridge Apartments, a low income housing project. Proceeds from the rents of these apartments are to provide for the debt payments as well as operating costs.

At August 31, 2010, long-term debt of this HOME Investment Partnership Program of the following:

Loan bearing interest of 1%, due in monthly Installments of \$461, including interest through February, 2039.	\$ 137,740
Less: current installments	<u>(4,170)</u>
Long-term debt, excluding current installments	<u>\$ 133,570</u>
Total long-term debt, restricted fund	<u><u>\$ 3,925,346</u></u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 2

LONG-TERM DEBT (continued)

The following is a summary of the scheduled principal maturities of the Restricted Funds long-term debt.

Year Ending August 31	Section 202 Housing	HOME Program
2011	105,159	4,170
2012	115,235	4,212
2013	126,277	4,254
2014	138,377	4,297
2015	151,637	4,340
2016-2020	1,006,068	22,365
2021-2025	1,472,810	23,511
2026-2030	781,372	24,716
2031-2035	-	25,982
2036-2039	-	19,892
	<u>\$ 3,896,936</u>	<u>\$ 137,739</u>

The interest paid on Section 202 Housing loans for the year ended August 31, 2010, was \$360,992. The interest paid on the HOME Investment Partnership Program loans for the year ended August 31, 2010 was \$1,396.

NONSPENDABLE FUNDS

The Agency acquired a building in Clinton, Missouri, in 1999 to be used as a Headstart facility. The Agency purchased this building for \$375,000 and fully financed the purchase with a mortgage loan. The building is rented to the Headstart program and the rent and mortgage payments are accounted for in the Nonspendable accounts of the Agency.

At August 31, 2010, the long-term debt consisted of the following:

6.87% mortgage note payable secured by Deed of Trust, to the St. Clair County State Bank, Appleton City, Missouri. Due in monthly installments of \$2,632, including interest, through June 2019, at which time unpaid principal is due in its entirety.

	\$ 330,798
Less: current installments	<u>(8,825)</u>
Long-term debt, excluding current installments	<u>\$ 321,973</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 2 **NONSPENDABLE FUNDS (Continued)**

The agency constructed a building in Harrisonville, Missouri in 2002 to be used for a Headstart facility. Total costs, including capitalized interest of \$8,374, to construct the facility was \$628,226, of which the Headstart program contributed \$114,494 of the costs, and the remaining funds were provided from nonspendable agency net assets and a \$418,752 mortgage loan. Headstart pays for the use of this facility through the depreciation method outlined in OMB Circular A-122, and the rent and mortgage payments are accounted for in the nonspendable accounts of the Agency.

At August 31, 2010, the long-term debt consisted of the following:

	\$ 380,477
Less: current installments	<u>(6,754)</u>
Long-term debt, excluding current installments	<u>\$ 373,723</u>
Total long-term debt, nonspendable funds	<u>\$ 695,696</u>

The following is a summary of the scheduled principal maturities of this nonspendable long-term debt.

Year Ending August 31	Clinton Facility	Harrisonville Facility	Total
2011	8,825	6,754	15,579
2012	9,397	7,296	16,693
2013	10,136	7,882	18,018
2014	10,865	8,515	19,380
2015	11,646	9,199	20,845
2016-2020	279,929	58,388	338,317
2021-2025	-	85,843	85,843
2026-2030	-	126,314	126,314
2031-2033	-	70,286	70,286
	<u>\$ 330,798</u>	<u>\$ 380,477</u>	<u>\$ 711,275</u>

The interest paid on nonspendable debt for the year ended August 31, 2010 was \$59,626.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE 3 **RESTRICTED DEPOSITS**

HUD Section 202 Housing

Under the HUD regulatory agreement, the 202 Projects are required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits of \$1,269,849 at August 31, 2010, are held in separate accounts and generally are not available for operating purposes.

St. Clair County Public Housing Authority

The St. Clair County Public Housing Authority maintains an escrow account for qualifying participants under the Family Self Sufficiency (FSS) Program. Funds are placed in the escrow from the participants' rental assistance. When the participant meets certain requirements, the funds are released to the participant. Forfeitures are transferred to the operating account; however, the HUD annual contribution is reduced by this amount.

NOTE 4 **CONTINGENT LIABILITIES**

Willow Estates, Maplewood Estates and Hickory Estates were financed by HUD Section 202 Capital Advance Mortgage Notes in the amounts of \$2,395,600, \$2,198,200 and \$2,364,700 respectively. A mortgage note is recorded and is payable to the United States Department of Housing and Urban Development (HUD).

As long as the project is rented to qualifying very low income elderly and disabled tenants and meets other HUD requirements, no payments will be required to be made on the note. If these requirements are met for a period of 40 years, the notes will be forgiven.

Management of the Agency fully intends this project to meet the HUD requirements for the 40 year periods, therefore these contingent liabilities are not reflected in these financial statements as liabilities.

HOME Investment Partnership Program

The Missouri Housing Development Commission financed the purchase and renovation of three residential houses in 1994, two residential houses in 1996 and the construction of Cedar Ridge Apartments in 1999 through capital advance agreements in the amounts of \$329,514 (houses) and \$499,900 (Cedar Ridge Apartments). The agreements provide for a first mortgage promissory note payable to the Missouri Housing Development Commission and bearing interest at 1% per annum. However, the agreements further provide that the indebtedness, including accrued interest, is not required to be paid so long as the housing remains available to eligible persons or families for a period of twenty years for the houses and forty years in regards to Cedar Ridge Apartments from the date of initial

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

HOME Investment Partnership Program (Continued)

occupancy. Management of the agency fully intends for the property to be used in accordance with agreements, and this contingent liability is not reflected on these financial statements as a liability but instead as part of the restricted net assets.

NOTE 5 **VOLUNTARY RETIREMENT PLAN**

The agency has offered employees participation in an IRS Code Section 403 (b) salary reduction plan. This allows employees to voluntarily elect to contribute a portion of salary which is invested for retirement purposes. These voluntary reductions are not included in the employees' taxable income. The agency matches one-half of employee contributions up to a maximum of three percent.

NOTE 6 **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Agency's operations are concentrated in receiving and administering grant awards to provide opportunities for the disadvantaged. The Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by various funding agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

WEST CENTRAL MISSOURI
COMMUNITY ACTION AGENCY

OTHER SUPPLEMENTARY DATA

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY

DOE WEATHERIZATION PROGRAM

G-07-16-2600-19-DOE

RECONCILIATION OF REVENUES AND EXPENSES

FOR THE PERIOD OF JULY 1, 2009 TO JUNE 30, 2010

<u>ENERGY CENTER</u>	<u>Energy Center DNR</u>	<u>WCMCAA</u>
Beginning Fund Balance	\$ -	\$ -
Revenue		
Grant Income	243,172	243,172
Carry Over Funds	-	-
Program Income	-	-
Total Revenue Including Fund Balance	<u>243,172</u>	<u>243,172</u>
Expenditures		
Administration	12,814	12,814
Program Operations	222,975	222,975
Insurance	804	804
T&TA	-	-
Other	<u>6,579</u>	<u>6,579</u>
Total Expenditures	<u>243,172</u>	<u>243,172</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY

DOE WEATHERIZATION PROGRAM

G-07-16-2600-19-DOE

CHANGES IN FUND BALANCE

FOR THE PERIOD OF JULY 1, 2009 TO JUNE 30, 2010

BEGINNING AGENCY FUND BALANCE (CARRY-OVER) (As of July 1)	\$	(25,380)
GRANT REVENUE (Funds received July 1 through June 30)	\$	268,552
PROGRAM INCOME	\$	-
LESS EXPENDITURES (July 1 through June 30)	\$	243,172
AGENCY ENDING FUND BALANCE	\$	-
Ending Cash on Hand		-
Ending Inventory	\$	-

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
 SUPPLEMENTAL CSBG PROGRAM SCHEDULE
 For the Grant Periods Ended September 30, 2009

Beginning Net Residuals		\$	(41,752)
Total Revenue			<u>698,055</u>
Total Available		\$	<u><u>656,303</u></u>
Expenditures			
CSBG Program Expenditures			
	<u>Administration</u>	<u>Program</u>	<u>Total</u>
Total Expenditures	<u>\$ 60,018</u>	<u>\$ 611,017</u>	<u>\$ 671,035</u>
Net Residuals/(Deficit)		\$	<u><u>(14,732)</u></u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
 DIVERSIFIED SERVICES PROGRAMS
 STATEMENT OF VERIFICATION OF PERFORMANCE REPORT

PROGRAM

CSBG Community Coordination/Resource Development CSBG 10-1-08 to 9-30-09	<u>Benchmarks Completed</u> 3 - Employment Education Fair 3 - Poverty Awareness 4 - Health Care Assistance 16 - Landlord Recruitment (4 counties, 4 benchmarks per county) 1 - Employment Education Fair (Amendment) 1 - Poverty Awareness (Amendment)
Family Development CSBG - 19 10-1-08 to 9-30-09	<u>Units Provided</u> 12,873 - Family IAR 393 - Family Support 532 - Life Skills 598 - Resource Distribution Strategy 2,067 - Back to School Fair

The above data was obtained from the monthly "Request for Payment of CSBG 09 Strategy Implementation" invoices and verification was obtained that there was support for units claimed and that such units were earned.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
 DIVERSIFIED SERVICES PROGRAMS
 STATEMENT OF VERIFICATION OF PERFORMANCE REPORT

PROGRAM

CSBG Community Coordination/Resource Development CSBG - 19 10-1-09 to 9-30-10	<u>Benchmarks Completed</u> 4 - Healthcare assistance 36 - Landlord recruitment (9 counties, 4 benchmarks per county) 2 - Poverty awareness 36 - Employment Education Fair (9 counties, 4 benchmarks per county) 5 - Higher Ground
---	---

Family Development CSBG - 19 10-1-08 to 9-30-09	<u>Units Provided</u> 161 - Life Skills 338 - Resource Distribution 7,175 - Referaral/Followup 1,133 - Back to School Fairs
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The above data was obtained from the monthly "Request for Payment of CSBG 2010 Strategy Implementation" invoices and verification was obtained that there was support for units claimed and that such units were earned.

WEST CENTRAL MISSOURI
COMMUNITY ACTION AGENCY

SUPPLEMENTARY DATA

Reports on Federal Programs
Under Governmental Audit Standards and
Provisions of OMB Circular A-133

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010

Federal Grantor/Program Title/ <u>Pass--Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>		
ARRA Head Start--Direct (HHS)	93.708	\$ 225,120
ARRA Head Start Expansion--Direct (HHS)	93.709	359,630
Head Start--Direct (HHS)	93.600	4,192,531
Special Programs for Aging, Title III, Part B --		
Mid America Regional Council	93.044	115,570
District III Area Agency on Aging	93.044	15,741
		<u>4,908,592</u>
National Family Caregiver Support		
Mid America Regional Council	93.052	45,234
Community Services Block Grant --		
Department of Social Services (DFS)	93.569	380,259
Homeless Challenge Program --		
Department of Social Services (DFS)	93.569	10,329
		<u>390,588</u>
ARRA Community Services Block Grant --		
Administration for Children and Families	93.710	1,067,252
Social Services Block Grant --		
Department of Social Services		
Division of Aging - Personal Care and Homemaker/Chore Services	93.667	25,320
Missouri Family Health Council, Inc. --		
Family Planning Services	93.217	165,702
Low-Income Home Energy Assistance/ Energy Crisis Intervention --		
Department of Social Services (DFS)	93.568	1,912,345
Temporary Assistance for Needy Families --		
Full Employment Council, Inc.	93.558	185,802
Workforce Development Board of Western Missouri, Inc.	93.558	376,187
		<u>561,989</u>
Total of U.S. Department of Health and Human Services		<u>\$ 9,077,022</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended August 31, 2010

Federal Grantor/Program Title/ Pass--Through Grantor	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Housing Counseling Assistance Program (Direct)	14.169	\$ 43,746
Emergency Shelter Grants Program		
Department of Social Services	14.231	18,365
Homelessness Prevention and Rapid ReHousing Prog	14.257	49,840
Home Investment Partnerships Program		
Home Repair Opportunity Program	14.239	417,684
Total U.S. Department of Housing and Urban Development		\$ 529,635
 <u>U.S. Department of Labor:</u>		
Workforce Investment Act		
Full Employment Council, Inc.		
WIA Adult Program	17.258	\$ 53,350
WIA Youth Activities	17.259	98,305
ARRA WIA Youth Activities	17.259	30,951
WIA Dislocated Workers	17.260	40,642
Workforce Development Board of Western Missouri, Inc.		
WIA Adult Program	17.258	287,674
ARRA WIA Adult Program	17.258	70,125
WIA Youth Activities	17.259	545,686
ARRA WIA Youth Activities	17.259	137,716
WIA Dislocated Workers	17.260	419,130
ARRA WIA Dislocated Workers	17.260	133,589
Total U.S. Department of Labor		\$ 1,817,168
 <u>U.S. Department of Agriculture:</u>		
Emergency Food Assistance Program (Food Commodities) --		
Area Food Banks	10.569	\$ 162,370
Child and Adult Care Food Program --		
Department of Health	10.558	340,954
Total U.S. Department of Agriculture		\$ 503,324

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended August 31, 2010

Federal Grantor/Program Title/ <u>Pass--Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Energy:</u>		
Weatherization Assistance for Low-Income Persons --		
Department of Natural Resources (DOE)	81.042	151,194
ARRA Weatherization Assistance for Low-Income Persons		
Department of Natural Resources (DOE)	81.042	1,960,388
Energize Missouri	81.042	64,859
Total U.S. Department of Energy		<u>\$ 2,176,441</u>
 <u>U.S. Department of Homeland Security</u>		
Emergency Food and Shelter (Direct)	97.024	\$ 28,201
ARRA Emergency Food and Shelter	97.114	23,220
Total U.S. Department of Homeland Security		<u>\$ 51,421</u>
 <u>Loans Outstanding with Continuing Compliance Requirements</u>		
<u>U.S. Department of Housing and Urban Development</u>		
HOME Investment Partnerships Program	14.239	<u>\$ 74,912</u>
TOTAL FEDERAL AWARDS (currently expended)		<u>\$ 14,229,923</u>

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2010

NOTE 1 GENERAL

Federal Award Programs

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the West Central Missouri Community Action Agency, Appleton City, Missouri. The information in the schedule is presented in accordance with requirements of OMB Circular A-133 "Audits of States, Local Governments and Nonprofit Organizations. All federal money both directly received, and that passed through other agencies is included in the schedule, except as described below.

St. Clair County Public Housing Authority (PHA)

The financial statements of West Central Missouri Community Action Agency (WCMCAA) have combined within them the assets, liabilities, net assets, revenues and expenditures of the St. Clair County PHA, for which WCMCAA is the fiscal agent. The PHA is required by statute to have a separate single audit on its fiscal year of September 30, consequently the St. Clair County PHA program is not included in the accompanying schedule.

HUD Section 202 Housing Projects

The financial statements of West Central Missouri Community Action Agency (WCMCAA) have combined within them the assets, liabilities, net assets, revenues and expenditures of the HUD Section 202 Housing Projects (202s), for which WCMCAA is the fiscal agent. The 202s are required by statute to have a separate single audit on its fiscal year of March 31. Since that separate single audit for year-end March 31, 2010 has been completed and reported separately, the 202 programs are not included in the accompanying schedule.

NOTE 2 BASIS OF ACCOUNTING

As described in Note 1 to the financial statements, the Agency's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The amounts presented in the Schedule of expenditures of Federal Awards agree to the amounts presented in, or used in the preparation of, the basic financial statements.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2010

Section I – Summary of Auditor’s Results

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
93.708	ARRA Head Start--Direct
93.709	ARRA Head Start Expansion--Direct
93.569	Community Services Block Grant
93.710	ARRA Community Services Block Grant
93.568	Energy Crisis Intervention Department of Social Services
93.558	Temporary Assistance for Needy Families Full Employment Council, Inc.
93.558	Temporary Assistance for Needy Families Workforce Development Board of Western Missouri, Inc.
14.239	Home Investment Partnerships Program Home Repair Opportunity Program Workforce Investment Act -
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.259	ARRA WIA Youth Activities
17.260	WIA Dislocated Workers Workforce Development Board of Western Missouri, Inc. –
17.258	WIA Adult Program
17.258	ARRA WIA Adult Program
17.259	WIA Youth Activities
17.259	ARRA WIA Youth Activities
17.260	WIA Dislocated Workers
17.260	ARRA WIA Dislocated Workers
10.558	Emergency Food Assistance Program Child and Adult Care Food Program
81.042	Weatherization Assistance for Low-Income Persons Department of Natural Resources
81.042	ARRA Weatherization Assistance for Low-Income Persons – Department of Natural Resources
81.042	Energize Program
97.114	ARRA Emergency Food and Shelter

Dollar threshold used to distinguish between
 type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes

 no

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
Schedule of Findings and Questioned Costs
Year Ended August 31, 2010

Section II – Financial Statement Findings

Finding 2010-1

Criteria: Compliance with Major Programs

Condition: The agency has instituted several internal controls, however, during the beginning of expending the Weatherization ARRA funds, seven of the client files tested were incomplete or missing documentation.

Context: The federal government encouraged recipients of the Weatherization ARRA funds to use the funds expediently. In our examination of the client files, we noted all clients appeared income eligible based on the information in the file. However, we noted seven client files were incomplete or missing appropriate documentation.

Effect and Recommendation:

The client applications, audit forms and work order should be completed and signed in each client file. With each additional project the Agency completed, appropriate documentation improved in the client's file. We recommend additional employee training for Agency personnel

Current Status:

The Agency has completed documentation for the seven client files identified in our testing. The Agency agrees with the recommendation and will provide additional training for Agency personnel to include appropriate documentation in the client files.

WEST CENTRAL MISSOURI COMMUNITY ACTION AGENCY
Schedule of Prior Findings and Questioned Costs
Year Ending August 31, 2010

Section II – Financial Statement Findings

There were no audit findings for the prior year which are required to be reported. See “Schedule of Findings and Questioned Costs” for the status on current year findings.

TAYLOR, HOSKINS & SHAW CERTIFIED PUBLIC ACCOUNTANTS, LLC

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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*

Board of Directors
West Central Missouri
Community Action Agency
Appleton City, Missouri

We have audited the financial statements of West Central Missouri Community Action Agency (the Agency) as of and for the year ended August 31, 2010, and have issued our report thereon dated February 24, 2011. 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 Agency's internal control over financial reporting as a basis for auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 described 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 agency'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 agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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 agency'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 believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Missouri Community Action Agency'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*.

West Central Missouri Community Action Agency's response to the findings identified in our audit is described in the Schedule of Prior Findings and Questioned Costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, Board of Directors, the Audit Committee, others within the entity, 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.

Taylor, Hopkins + Shaw, CPA's, LLC

Clinton, Missouri
Warrensburg, Missouri
February 24, 2011

TAYLOR, HOSKINS & SHAW

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
West Central Missouri
Community Action Agency
Appleton City, Missouri

Compliance

We have audited the compliance of West Central Missouri Community Action Agency (the Agency) 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 August 31, 2010. The Agency's major 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 each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

The West Central Missouri Community Action Agency's financial statements include the operations of the St. Clair County Public Housing Authority (PHA) and the HUD Section 202 Housing Projects (202s), which received federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended August 31, 2010. Our audit, described below, did not include the operations of the PHA and 202s because they are required by statute to have a separate single audit on their fiscal years September 30, 2010 and March 31, 2010, respectively.

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 Agency'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 Agency's compliance with those requirements.

In our opinion, the Agency 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 August 31, 2010. 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 2010-1.

Internal Control Over Compliance

The management of the Agency 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 Agency'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 West Central Missouri Community Action Agency's internal control over compliance.

A *deficiency* in an entity's 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 entity'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 entity'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 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1.

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

This report is intended solely for the information and use of the management, others within the organization and applicable federal awarding agencies or other governmental units from which Federal financial assistance is received. This report is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Hopkins + Shaw, CPA'S, LLC

Clinton, Missouri
Warrensburg, Missouri
February 24, 2011