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FEDERAL COMPLIANCE SECTION



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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 James Orr,
Councilman Jerry Dierker and Councilman Michael Brownsberger
City of Monett, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Monett, Missouri, as of and for the year ended March 31, 2010, which collectively comprise the City of Monett, Missouri's basic financial statements and have issued our report thereon dated September 20, 2010. 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 of Monett'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 of Monett, Missouri'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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monett's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Monett, in a separate letter dated September 20, 2010.

This report is intended solely for the information and use of management, City Council, 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.

THE CPA GROUP, P.C.

Monett, Missouri
September 20, 2010



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

To the Honorable Mayor James Orr,
 Councilman Jerry Dierker and Councilman Michael Brownsberger
 City of Monett, Missouri

Compliance

We have audited the City of Monett, Missouri's compliance 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 March 31, 2010. The City of Monett'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 referred to above is the responsibility of the City of Monett, Missouri's management. Our responsibility is to express an opinion on the City of Monett'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 City of Monett'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 of Monett's compliance with those requirements.

In our opinion, the City of Monett, Missouri, complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended March 31, 2010.

Internal Control Over Compliance

The management of the City of Monett, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Monett's internal control over compliance with the 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 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 of Monett'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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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, City Council, others within the entity, 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.

THE CPA GROUP, P.C.

Monett, Missouri

September 20, 2010

CITY OF MONETT, MISSOURI
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
March 31, 2010

| <u>FEDERAL GRANTOR/PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|--|----------------------------|---|-------------------------------|
| Department of Transportation | | | |
| Transportation Enhancement Funds passed Through the Missouri Highway and Transportation Commission | 20.205 | | |
| Clear Creek Bridge - Project BRM-4606 | | | 185,417.72 |
| Eisenhower Bridge - Project RRP-000S | | | 127,453.51 |
| Greenways Trail - Project STP-4600 | | | 123,491.32 |
| Highway Safety | | | |
| Saturation patrol | 20.600 | | 6,534.62 |
| HVM Enforcement | 20.600 | | 862.60 |
| DWI Enforcement | 20.610 | | 12,161.53 |
| Federal Aviation Agency passed Through the Missouri Highway and Transportation Commission | 20.106 | | 55,266.13 |
| Total Department of Transportation | | | <u>\$ 511,187.43</u> |
| Department of Homeland Security | | | |
| FEMA Public Assistance - Project 1822-DR-MO | 97.036 | | 29,813.75 |
| Total Department of Homeland Security | | | <u>\$ 29,813.75</u> |
| Environmental Protection Agency | | | |
| Clean Water Loans (1992 and 2003) passed through Missouri Department of Natural Resources | 66.458 | | 255,000.00 |
| | 66.468 | | 7,515,000.00 |
| Total Environmental Protection Agency | | | <u>\$ 7,770,000.00</u> |
| Total Federal Programs | | | <u><u>\$ 8,311,001.18</u></u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

See accompanying notes to the financial statements.

**CITY OF MONETT, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COST
MARCH 31, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Reportable condition(s) identified

not considered to be material weaknesses?

Yes No

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

Yes No

Reportable condition(s) identified

not considered to be material weaknesses?

Yes No

Type of auditors' report issued on compliance
for major program:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)?

Yes No

Identification of major program:

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Department of Transportation

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

\$ 300,000.00

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

See accompanying notes to the financial statements.