

## FEDERAL COMPLIANCE SECTION



**A Professional Corporation**  
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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,  
Commissioner Jerry Dierker and Commissioner 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, 2011, which collectively comprise the City of Monett, Missouri's basic financial statements and have issued our report thereon dated August 2, 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 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, Missouri'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 August 2, 2011.

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

August 2, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor James Orr,  
Commissioner Jerry Dierker and Commissioner 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 OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Monett, Missouri's major federal programs for the year ended March 31, 2011. The City of Monett, Missouri'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 each of its major federal programs is the responsibility of the City of Monett, Missouri's management. Our responsibility is to express an opinion on the City of Monett, Missouri'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 City of Monett, Missouri'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 could have a direct and material effect on each of its major federal programs for the year ended Marcy 31, 2011.

**Internal Control Over Compliance**

Management of the City of Monett, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monett, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Monett, Missouri's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, 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  
August 2, 2011

**CITY OF MONETT, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended March 31, 2011

<b>FEDERAL GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
Department of Transportation			
Highway Planning and Construction Cluster			
Highway Safety Cluster			
Department of Transportation Pass-through Program	20.600	Enforcement OT	213
From Missouri Department of Transportation -		10 PT 02 138	1,411
State and Community Highway Safety		2008 EUDL-0028	419
		11-PT-02-108	228
Total Highway Safety Cluster			<u>\$ 2,272</u>
Other Programs			
Department of Transportation Direct Programs	20.607	10-154-AL-81	1,308
Alcohol Open Container Requirements		10-154-AL-73	1,253
		MoDOT DWI	151
		11-154-AL-88DWI	432
Total Department of Transportation Direct Programs			<u>\$ 3,145</u>
Department of Transportation Pass-through Program	20.106		
From Missouri Highways and Transportation Commission -			
Airport Improvement Program			
Master Plan Update		08-098B-1	35,000
Environmental Assessment		10-098B-1	70,795
Total Airport Improvement Program			<u>\$ 105,795</u>
Total Department of Transportation			<u>\$ 111,212</u>
United State Environmental Protection Agency			
Pass-through Programs from			
Missouri Department of Natural Resources -			
Capitalization Grants for Clean Water State Revolving Funds	66.458	1992 Clean Water Loan	202,154
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2003 Clean Water Loan	7,428,305
Total United State Environmental Protection Agency			<u>\$ 7,630,459</u>
Total Federal Programs			<u><u>\$ 7,741,671</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.

**NOTE B - NON CASH EXPENDITURES**

The amounts for Clean Water and Drinking Water Grants above, include the outstanding loan balances as well as the amount of interest paid out on the city's behalf.

Principal outstanding at March 31, 2011	1992 Clean Water Loan	\$ 195,000
	2003 Clean Water Loan	\$ 7,205,000

**CITY OF MONETT, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
MARCH 31, 2011**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified  
Internal control over financial reporting:  
Material weakness identified?  Yes  No  
Significant Deficiency identified?  Yes  No  
Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control over major programs:  
Material weakness identified?  Yes  No  
Significant Deficiency identified?  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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	United States Environmental Protection Agency

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.