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**CITY OF O'FALLON,  
MISSOURI**

**REPORT ON FEDERAL AWARDS  
(Audited)**

Year Ended December 31, 2011

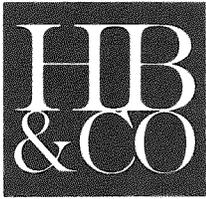
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**CITY OF O’FALLON, MISSOURI**  
**REPORT ON FEDERAL AWARDS**

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Hochschild, Bloom & Company LLP  
Certified Public Accountants  
Consultants and Advisors

**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***

June 14, 2012

Honorable Mayor and Members of the City Council  
**CITY OF O'FALLON, 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 O'FALLON, MISSOURI** (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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**

Management of the City, is responsible for establishing and maintaining effective 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 opinion 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.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

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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'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 have reported to management of the City in a separate letter dated June 14, 2012.

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

*Hochschild, Bloom + Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



Hochschild, Bloom & Company LLP  
Certified Public Accountants  
Consultants and Advisors

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

June 14, 2012

Honorable Mayor and Members of the City Council  
**CITY OF O'FALLON, MISSOURI**

**Compliance**

We have audited the **CITY OF O'FALLON, MISSOURI's** (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' 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'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 U.S. generally accepted auditing standards; 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirement referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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## **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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2011, and have issued our report thereon dated June 14, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

  
**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF O'FALLON, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	-	\$ <u>126,545</u>
<b>U.S. Department of Justice</b>			
Federal Equitable Sharing	16.922	-	142,791
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	2009-SB-B9-1180	9,043
Missouri Department of Public Safety: Bulletproof Vest Partnership Edward Byrne Memorial Justice Assistance Grant	16.607	-	1,557
	16.738	2010-LBGJ-064	<u>6,026</u>
Total U.S. Department Of Justice			<u>159,417</u>
<b>U.S. Department of Transportation</b>			
Missouri Department of Transportation:			
Highway Planning and Construction	20.205	CMAQ-5401(644)	52,925
Highway Planning and Construction	20.205	CMAQ-5401(546)	30,907
Highway Planning and Construction	20.205	CMAQ-5407(610)	210,085
Highway Planning and Construction	20.205	CMAQ-5401(643)	51,348
Highway Planning and Construction	20.205	STP-5401(635)	82,001
Highway Planning and Construction	20.205	STP-5401(646)	42,586
Highway Planning and Construction	20.205	STP-5401(655)	22,640
Highway Planning and Construction	20.205	STP-5401(656)	32,883
Highway Planning and Construction	20.205	STP-7302(617)	<u>21,662</u>
Total Highway Planning And Construction			<u>547,037</u>
Missouri Division of Highway Safety:			
State and Community Highway Safety	20.600	11-12-PT-02-62	13,142
State and Community Highway Safety	20.600	SAF007-014	<u>1,133</u>
Total State And Community Highway Safety			<u>14,275</u>
Alcohol Impaired Driving Countermeasures	20.601	11-K8-03-52-53	9,954
Alcohol Impaired Driving Countermeasures	20.601	SAF003-006	<u>1,710</u>
Total Alcohol Impaired Driving Countermeasures			<u>11,664</u>
Alcohol Open Container Requirements	20.607	11-K8-03-51	7,904
Alcohol Open Container Requirements	20.607	12-K8-03-52	<u>3,431</u>
Total Alcohol Open Container Requirements			<u>11,335</u>
Child Safety and Booster Seat Incentive Grant	20.613	SAF008	<u>355</u>
Total U.S. Department Of Transportation			<u>584,666</u>

(Continued)

**CITY OF O'FALLON, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
<b>U.S. Department of Energy</b>			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	DE-SC0003186	334,192
Missouri Department of Natural Resources:			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	G10-EECBG-04-06555067	153,775
Energy Efficiency and Conservation Block Grant - ARRA	81.128	G10-EECBG-01-06555067	<u>8,788</u>
Total Energy Efficiency And Conservation Block Grant - ARRA			496,755
Missouri Department of Natural Resources:			
Weatherization Assistance for Low Income Persons - ARRA	81.042	DE-EE0000151	<u>248,953</u>
Total U.S. Department Of Energy			<u>745,708</u>
Total Awards Expended			<u>\$1,616,336</u>

**NOTES:**

**1. General**

The schedule of expenditures of federal awards (the schedule) presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in Note A to the City's financial statements. Federal financial assistance received directly from federal agencies, as well as passed through other government agencies, is included on the schedule.

**2. Basis of Accounting**

The schedule is presented using the modified accrual basis of accounting, which is described in Note A to the City's financial statements.

**CITY OF O'FALLON, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2011**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

I. Summary of the auditors' results:

A. Financial Statements:

1. Type of auditors' report issued: Unqualified
2. Internal control over financial reporting:
- a) Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- b) Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported
- c) Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

B. Federal Awards

1. Internal control over major programs:
- a) Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- b) Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported
- c) Type of auditors' report issued on compliance for major programs: Unqualified
- d) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes      X   No
- e) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name Of Federal Program Or Cluster</u>
20.205 81.128	Highway Planning and Construction Energy Efficiency and Conservation Block Grant

- f) Dollar threshold used to distinguish between type A and type B programs: \$300,000
- g) Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

II. Financial statement findings: None

III. Federal award findings and questioned costs: None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Findings relating to financial statements which are required to be reported in accordance with *Government Auditing Standards*:

N/A