
**CITY OF O'FALLON,
MISSOURI**

REPORT ON FEDERAL AWARDS
(Audited)

Year Ended December 31, 2015

CITY OF O’FALLON, MISSOURI
REPORT ON FEDERAL AWARDS

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

**INDEPENDENT AUDITOR'S 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 6, 2016

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

We have audited, in accordance with the 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 6, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

June 6, 2016

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the **CITY OF O'FALLON, MISSOURI's** (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types

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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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
THE UNIFORM GUIDANCE**

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 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 6, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF O'FALLON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Passed-Through To Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant/ Entitlement Grants	14.218	-	\$23,725	<u>213,097</u>
U.S. Department of the Interior				
Missouri Department of Natural Resources: Outdoor Recreation Acquisition, Development and Planning	15.916	LWCF #29-01617	-	<u>75,000</u>
U.S. Department of Justice				
Bulletproof Vest Partnership	16.607	-	-	9,341
Federal Equitable Sharing	16.922	-	-	<u>109,012</u>
Total U.S. Department Of Justice			-	<u>118,353</u>
U.S. Department of Transportation				
Missouri Department of Transportation:				
Highway Planning and Construction	20.205	CMAQ-7302(625)	-	130,185
Highway Planning and Construction	20.205	STP-7302(624)	-	168,000
Highway Planning and Construction	20.205	STP-7302(626)	-	431,796
Highway Planning and Construction	20.205	STP-7302(647)	-	224,259
Highway Planning and Construction	20.205	STP-7302(648)	-	60,247
Highway Planning and Construction	20.205	STP-7302(649)	-	75,580
Highway Planning and Construction	20.205	TAP-7302(660)	-	54,256
Highway Planning and Construction	20.205	6S3100	-	<u>21,546</u>
Total Highway Planning And Construction			-	<u>1,165,869</u>
Missouri Division of Highway Safety:				
State and Community Highway Safety	20.600	15-PT-02-071	-	18,045
State and Community Highway Safety	20.600	16-PT-02-054	-	<u>3,792</u>
Total State And Community Highway Safety			-	<u>21,837</u>
Alcohol Impaired Driving Counter- measures	20.601	15-M5HVE-03-039	-	4,290
Alcohol Impaired Driving Counter- measures	20.601	16-154-AL-047	-	<u>1,910</u>
Total Alcohol Impaired Driving Countermeasures			-	<u>6,200</u>
Alcohol Open Container Requirements	20.607	16-154-AL-042	-	5,510
Alcohol Open Container Requirements	20.607	16-154-AL-043	-	<u>1,280</u>
Total Alcohol Open Container Requirements			-	<u>6,790</u>

(Continued)

CITY OF O'FALLON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Passed-Through To Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation (Continued)				
Missouri Division of Highway Safety (Continued):				
National Priority Safety Programs	20.616	15-M5HVE-03-035	-	2,895
National Priority Safety Programs	20.616	15-M5HVE-03-038	-	13,830
National Priority Safety Programs	20.616	15-M5HVE-03-040	-	5,956
National Priority Safety Programs	20.616	15-M5HVE-05-020	-	1,239
National Priority Safety Programs	20.616	15-M5HVE-05-022	-	700
National Priority Safety Programs	20.616	15-M5HVE-05-027	-	340
National Priority Safety Programs	20.616	16-154-AL-141	-	598
Total National Priority Safety Programs			-	<u>25,558</u>
Total U.S. Department Of Transportation			-	<u>1,226,254</u>
U.S. Environmental Protection Agency				
Missouri Department of Natural Resources: Capitalization Grants for Drinking Water State Revolving Funds - ARRA				
	66.468	-	-	<u>21,330</u>
Total Awards Expended			<u>\$23,725</u>	<u>1,654,034</u>

The accompanying notes are an integral part of this schedule.

Notes:

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years, if any. The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF O'FALLON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of the auditor's results:

A. Financial statements:

- | | |
|--|--------------------------------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weakness(es) identified? | _____ Yes <u> X </u> No |
| b) Significant deficiency(ies) identified? | _____ Yes <u> X </u> None reported |
| c) Noncompliance material to financial statements noted? | _____ Yes <u> X </u> No |

B. Federal awards:

- | | |
|---|---|
| 1. Internal control over major programs: | |
| a) Material weakness(es) identified? | _____ Yes <u> X </u> No |
| b) Significant deficiency(ies) identified? | _____ Yes <u> X </u> None reported |
| c) Type of auditor's report issued on compliance for major programs: | Unmodified |
| d) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 516(a)? | _____ Yes <u> X </u> No |
| e) Major programs: | |
| <u>CFDA Number(s)</u> | <u>Name Of Federal Program Or Cluster</u> |
| 20.205 | Highway Planning and Construction |
| f) Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| g) Auditee qualified as low-risk auditee? | <u> X </u> Yes _____ No |

II. Findings - financial statements audit: None

III. Findings and questioned costs - major federal award programs audit: 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