
**CITY OF O'FALLON,
MISSOURI**

**REPORT ON FEDERAL AWARDS
(Audited)**

Year Ended December 31, 2010

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 13, 2011

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 13, 2011. 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

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 13, 2011.

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



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

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

June 13, 2011

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

Compliance

We have audited the compliance of the **CITY OF O'FALLON, MISSOURI** (the City) 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 December 31, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

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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 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'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 of the City as of and for the year ended December 31, 2010, and have issued our report thereon dated June 13, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken 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.

Hochschild, Bloan + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF O'FALLON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	-	\$ <u>423,079</u>
U.S. Department of Justice			
Federal Equitable Sharing	16.xxx	-	88,173
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	2009-SB-B9-1180	19,326
Missouri Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant	16.738	2009-LBGJ-050	1,166
Bulletproof Vest Partnership	16.607	-	<u>5,302</u>
Total U.S. Department Of Justice			<u>113,967</u>
U.S. Department of Transportation			
Missouri Department of Transportation: Highway Planning and Construction	20.205	STP-7302(617)	590,457
Highway Planning and Construction ARRA	20.205	ARRA-ES06(019)	<u>30,994</u>
Total Highway Planning And Construction			<u>621,451</u>
Missouri Division of Highway Safety: State and Community Highway Safety	20.600	10-PT-02-82	11,894
State and Community Highway Safety	20.600	11-PT-02-62	<u>2,800</u>
Total State And Community Highway Safety			<u>14,694</u>
Alcohol Impaired Driving Countermeasures	20.601	11-K8-03-51	3,605
Alcohol Impaired Driving Countermeasures	20.601	11-K8-03-52	<u>2,669</u>
Total Alcohol Impaired Driving Countermeasures			<u>6,274</u>
Alcohol Open Container Requirements	20.607	09-154-AL-46	9,649
Alcohol Open Container Requirements	20.607	10-154-AL-47	5,029
Alcohol Open Container Requirements	20.607	LKK073-75-76	<u>3,456</u>
Total Alcohol Open Container Requirements			<u>18,134</u>
Total U.S. Department Of Transportation			<u>660,553</u>
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	DE-SC0003186	344,535
Missouri Department of Natural Resources: Weatherization Assistance for Low Income Persons - ARRA	81.042	DE-EE0000151	21,828
U.S. Department of Homeland Security			
Disaster Assistance Projects	97.088	1773-DR-MO	<u>101</u>
Total Awards Expended			<u>\$1,564,063</u>

(Continued)

CITY OF O'FALLON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of the auditors' results:

A. Financial Statements:

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

B. Federal Awards

1. Internal control over major programs:
- a) Material weakness(es) identified? Yes No
- b) Significant deficiency(ies) identified? Yes None reported
- c) Type of auditor's 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 No
- e. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name Of Federal Program Or Cluster</u>
14.218	Community Development Block Grant
20.205	Highway Planning and Construction
81.128	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? 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