

## **City of Sidney, Ohio**

Reports on Internal Controls and Compliance  
and Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

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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**

City Council  
City of Sidney  
201 W Poplar Street  
Sidney, Ohio 45365

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 Sidney, Ohio (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 29, 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's internal control over financial reporting as a basis for designing our audit 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'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 a 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.

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### 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*.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 29, 2011

**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**

City Council  
City of Sidney  
201 West Poplar Street  
Sidney, Ohio 45365

Compliance

We have audited the City of Sidney, Ohio (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, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 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. 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 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, 2010.

Internal Control Over Compliance

Management of the City 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'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 City's internal control over compliance.

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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 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 date June 29, 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 the purpose 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 the City Council, management, 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 29, 2011

<u>FEDERAL GRANTOR/SUB GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>(A) FEDERAL DISBURSEMENTS</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through Ohio Department of Education</i>			
Summer Food Service Program for Children	10.559	N/A	\$ <u>16,650</u>
<b>Total U.S. Department of Agriculture</b>			16,650
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through Office of Housing and Community Partnerships</i>			
Home Investment Partnerships Program	14.239	A-C-09-2DR-2	277,569
Community Development Block Grant/State's Program	14.228	A-F-10-2DR-1	3,431
Community Development Block Grant/State's Program	14.228	A-C-09-2DR-1	48,051
Community Development Block Grant/State's Program	14.228	A-F-08-2DR-1	72,126
Community Development Block Grant/State's Program	14.228	A-F-09-2DR-1	<u>88,437</u>
<b>(B) Total Community Development Block Grant/State's Program</b>			212,045
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through Miami County Economic Development</i>			
Community Development Block Grant/Neighborhood Stabilization	14.228	A-C-09-2DR-1	<u>178,746</u>
<b>Total U.S. Department of Housing and Urban Development</b>			668,360
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Ariport Improvement Program	20.106	3-39-0071-1309	4,846
Ariport Improvement Program	20.106	3-39-0071-1410	20,084
Ariport Improvement Program	20.106	3-39-0071-1209	<u>56,968</u>
<b>Total Airport Improvement Program</b>			81,898
<b>U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL TRANSIT ADMINISTRATION</b>			
<i>Passed through Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Area	20.509	RPT-0075-027-102	43,920
Formula Grants for Other Than Urbanized Area	20.509	RPT-4075-027-101	297,193
Formula Grants for Other Than Urbanized Area	20.509	RPT-0075-030-102	109,633
Formula Grants for Other Than Urbanized Area - ARRA	20.509	RPT-0075-001-093	<u>145,269</u>
<b>Total Grant for Other Urbanized Areas</b>			<u>596,015</u>
<b>Total U.S. Department of Transportation</b>			677,913
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Brownfield Assessment and Cleanup Cooperative Agreement	66.818	BF-00E00365	<u>82</u>
<b>Total U.S. Environmental Protection Agency</b>			82
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<i>Passed through Area Agency on Aging, PSA 2</i>			
Support Services	93.044	N/A	<u>8,342</u>
<b>Total U.S. Department of Health &amp; Human Services</b>			8,342
<b>U.S. DEPARTMENT OF FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Improvement Program	20.205	83360	<u>257,653</u>
<b>Total U.S. Department of Federal Highway Administration</b>			257,653
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Byrne Grant	16.738	N/A	<u>14,800</u>
<b>Total U.S. Department of Justice</b>			<u>14,800</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,643,800</u>

(A) This schedule is prepared on the cash basis of accounting

(B) The City received in \$1,704 in repayment of revolving loan funds in the year ended December 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?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 20.509 – Formula Grants for Other than Urbanized Areas	
CFDA 14.228 – Community Development Block Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

**Section IV – Summary of Prior Audit Findings and Questioned Costs**

None noted