

CITY OF MAUMEE, OHIO

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants

**CITY OF MAUMEE, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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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 Members of the City Council
City of Maumee, Ohio

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 Maumee, Lucas County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Maumee, Ohio's basic financial statements and have issued our report thereon dated June 22, 2012, wherein we noted that the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and restated the December 31, 2010 fund balances of the governmental funds due to a change in fund structure. In addition, the City restated the December 31, 2010 fund balances of governmental funds due to accounting corrections. 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

Management of the City of Maumee, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Maumee, Ohio'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 Maumee, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Maumee, Ohio's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness and it is listed as **Finding 2011-001**.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Maumee, Ohio'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 the management of the City of Maumee, Ohio, in a separate letter dated June 22, 2012.

The City of Maumee, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Maumee, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 22, 2012

**CITY OF MAUMEE, OHIO
LUCAS COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

Finding 2011-001 - Material Weakness - Restatement of Prior Period Balances

Statement of Condition/Criteria

Financial reporting is the responsibility of the City's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data throughout the year.

During the annual financial statement preparation process, management identified the following errors to the financial statements.

1. Restatement of Fund Balances at December 31, 2010 for funds that should have been recorded in Income Tax B (0.5%) instead of Income Tax A (0.1%) Fund, which is combined with the General Fund in the financial statements.
2. Reimbursement of an advance was recorded as a transfer by the City.

Cause/Effect

The changes in financial presentation resulted in a prior period adjustment to the various funds as noted above. Also the lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response

This transfer does not meet the definition of a *deficiency in internal control* since it was not made due to the lack of a design/operation of a control that kept employees from preventing, detecting or correcting misstatements. To have been a correction, the original expenditures would have had to been made from the wrong funds. The original expenditures were made from the Income Tax A (1%) Fund which is the City's discretionary fund and, therefore, an appropriate fund for such expenditures.

The transfer of funds from Income Tax B (.5%) Fund to Income Tax A (1%) Fund was made as an *executive recommendation to reclassify expenditures* by the City of Maumee administration as approved by the Maumee City Council on February 21, 2011 via Ordinance 30-2011.

This transfer also does not meet the definition of *material weakness* since the combined Income Tax A (1%) and Income Tax B (.5%) fund balance was not affected by this action.

CITY OF MAUMEE, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

The prior audit report, as of December 31, 2010, included one material noncompliance citation.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>
2010-001	Improper Recording of Internal Borrowings	Yes

Also, the management letter recommendations have been repeated, corrected or procedures instituted to prevent occurrences in this audit period.