

**CITY OF EUCLID
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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



Dave Yost • Auditor of State

Members of City Council
City of Euclid
585 East 222nd Street
Euclid, Ohio 44123

We have reviewed the *Independent Auditor's Report* of the City of Euclid, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Euclid is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 23, 2013

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**CITY OF EUCLID
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 the Members of City Council and
Members of the Audit Committee
City of Euclid, Ohio

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Euclid, Ohio's basic financial statements, and have issued our report thereon dated May 31, 2013, wherein we noted that the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated its December 31, 2011 Net Position of governmental and business-type activities due to reclassification of debt issuance costs. In addition, the City restated its December 31, 2011 Governmental Fund Balance and Net Position of governmental activities due to the inclusion of a capital lease obligation, pension liability overstatements, and special assessment revenue overstatements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Euclid, Ohio'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 of Euclid, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Euclid, Ohio'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.


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 of Euclid, Ohio'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 of Euclid, Ohio'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 of Euclid, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

May 31, 2013

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

To the Members of City Council and
Members of the Audit Committee
City of Euclid, Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Euclid, Cuyahoga County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Euclid, Ohio's major federal programs for the year ended December 31, 2012. The City of Euclid, Ohio'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 the requirements of laws, 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 of Euclid, Ohio'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 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 of Euclid, Ohio'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 of Euclid, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Euclid, Ohio, 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, 2012.

Report on Internal Control Over Compliance

Management of the City of Euclid, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Euclid, Ohio'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 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 of Euclid, Ohio'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Euclid, Ohio's basic financial statements. We issued our report thereon dated May 31, 2013, which contained unmodified opinions on those financial statements. Our opinion also explained that the City of Euclid, Ohio, adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated its December 31, 2011 Net Position of governmental and business-type activities due to reclassification of debt issuance costs. In addition, the City restated its December 31, 2011 Governmental Fund Balance and Net Position of governmental activities due to the inclusion of a capital lease obligation, pension liability overstatements, and special assessment revenue overstatements. 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 OMB Circular A-133 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


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

May 31, 2013

**CITY OF EUCLID
CUYAHOGA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures |
|---|------------------------------------|---|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <u>Direct Award</u> | | | |
| <i>Community Development Block Grants Entitlement Grants Cluster</i> | | | |
| Entitlement Grants | 14.218 | B-10MC-39-0006 | \$ 461,203 |
| Entitlement Grants | 14.218 | B-11MC-39-0006 | 506,390 |
| ARRA - Entitlement Grants (CDBG-R) Recovery Act Funded | 14.253 | B-09-MN-39-0006 | 66,311 |
| ARRA - Neighborhood Stabilization Program (NSP) | 14.254 | B-08-MN-39-0008 | 325,967 |
| ARRA - Neighborhood Stabilization Program (NSP) | 14.254 | B-11-MN-39-0008 | 268,927 |
| <i>Total Community Development Block Grants Entitlement Grants Cluster</i> | | | <u>1,628,798</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>1,628,798</u> |
| <u>U.S. Department of Energy</u> | | | |
| <u>Direct Award</u> | | | |
| ARRA - Energy Efficiency and Conservation Grant | 81.128 | DE-EE0001561 | 23,155 |
| Total U.S. Department of Energy | | | <u>23,155</u> |
| <u>U.S. Department of Justice</u> | | | |
| <u>Direct Award</u> | | | |
| Bulletproof Vest Program | 16.607 | | 1,328 |
| ARRA - COPS Hiring Recovery Program (CHRP) | 16.710 | 2009RKWX0671 | 353,149 |
| Justice Assistance Grant | 16.738 | | 13,545 |
| Victims of Crime Act (VOCA) | 16.738 | | 15,420 |
| <i>Subtotal CFDA #16.738</i> | | | <u>28,965</u> |
| Total U.S. Department of Justice | | | <u>383,442</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| <u>Direct Award</u> | | | |
| Assistance to Firefighters Grant - Fire Prevention and Safety Program | 97.044 | 2011-JG-LLE-5269 | 32,815 |
| Total U.S. Department of Homeland Security | | | <u>32,815</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <u>Pass-Through Programs from State Department of Aging and the Western Reserve Area Agency on Aging</u> | | | |
| Special Programs for the Aging-Title III, Part C-Nutrition Services | 93.045 | n/a | 71,955 |
| Total U.S. Department of Health and Human Services | | | <u>71,955</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,140,165</u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF EUCLID, OHIO
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards of the City of Euclid, Ohio summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**CITY OF EUCLID
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|--|-------------------|
| 2012(i) | Type of Financial Statement Opinion | Unmodified |
| 2012(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2012(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2012(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2012(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2012(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| 2012(v) | Type of Major Programs' Compliance Opinions | Unmodified |
| 2012(vi) | Are there any reportable findings under .510? | No |
| 2012(vii) | Major Programs (list): Community Development Block Grants Entitlement Grants Cluster: Entitlement Grants - CFDA #14.218 ARRA - Entitlement Grants (CDBG-R) Recovery Act Funded-CFDA #14.253 ARRA - Neighborhood Stabilization Program (NSP) - CFDA #14.254 ARRA - COPS Hiring Recovery Program (CHRP)- CFDA #16.710 | |
| 2012(viii) | Dollar Threshold: A/B Programs Type B: All Others | Type A: \$300,000 |
| 2012(ix) | Low Risk Auditee? | Yes |

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF EUCLID
CUYAHOGA COUNTY, OHIO
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The prior audit report, as of December 31, 2011, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.