

City of Findlay
Hancock County, Ohio

Report Letters

For the Fiscal Year Ended
December 31, 2012

CITY OF FINDLAY
HANCOCK COUNTY, OHIO
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June 16, 2013

To the Honorable Mayor and City Council
City of Findlay
Hancock County, Ohio

**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**

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 Findlay, Hancock 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's basic financial statements, and have issued our report thereon dated June 16, 2013, wherein we noted the City implemented 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 their December 31, 2011 net position for their governmental and business-type activities; and enterprise funds, water, water pollution control and airport.

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 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. 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 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 significant deficiencies or material weaknesses. 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 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*.

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 *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

June 16, 2013

To the Honorable Mayor and City Council
City of Findlay
Hancock County, Ohio

**Independent Auditor's 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**

Report on Compliance for Each Major Federal Program

We have audited the City of Findlay's, Hancock County, Ohio (the City) 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's major federal programs for the year ended December 31, 2012. 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 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'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'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, 2012.

Report on Internal Control Over Compliance

Management of the City 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'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'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.

City of Findlay

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of 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's basic financial statements. We issued our report thereon dated June 16, 2013, which contained an unmodified opinion on those financial statements, wherein we noted the City implemented 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 their December 31, 2011 net position for their governmental and business-type activities; and enterprise funds, water, water pollution control, and airport. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Hea & Associates, Inc.

CITY OF FINDLAY
HANCOCK 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-Thru Entity Ident. Number	(A) Federal Expenditures
U.S.. Department of Housing and Urban Development:			
<i>Pass-Through Ohio Department of Development:</i>			
<i>Community Development Block Grant</i>			
Community Development Block Grant (B)	14.228	A-F-11-2BM-1	\$ 29,900
Community Development Block Grant (B){C}	14.228	A-F-08-2BM-1	(144,000)
Community Development Block Grant (B)	14.228	A-F-11-2BM-1	15,000
Community Development Block Grant (B)	14.228	A-F-10-2BM-1	151,800
Community Development Block Grant - Revolving Loan Fund (B)	14.228	N/A	69,322
Total Community Development Block Grant (CDBG)			122,022
Total U.S. Dept. of Housing and Urban Development			122,022
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	N/A	47,947
Total U.S. Department of Energy			47,947
U.S. Department of Homeland Security:			
<i>Assistance to Firefighters Grant</i>			
Operations and Safety	97.044	EMW-2011-F0-04130	29,908
Staffing for Adequate Fire and Emergency Response (SAFER) - Hiring	97.044	EMW-2010-FH-00875	458,767
Total Assistance to Firefighters Grant			488,675
Total U.S. Department of Homeland Security			488,675
U.S. Dept. of Health and Human Services:			
<i>Pass-Through Program From Ohio Department of Health:</i>			
<i>Public Health Emergency Preparedness</i>			
Public Health Emergency Preparedness	93.069	32-2001-2-PH-03-12	70,297
Public Health Emergency Preparedness	93.069	32-2001-2-PH-04-13	26,309
Total Public Health Emergency Preparedness			96,606
Reproductive Health and Wellness	93.217	32-2001-2-RH-01-12	35,500
<i>Children and Family Health Services Program</i>			
Children and Family Health Services Program	93.994	32-2001-1-MC-01-12	22,604
Children and Family Health Services Program	93.994	32-2001-1-MC-02-13	18,267
Total Children and Family Health Services			40,871
Total U.S. Dept. of Health and Human Services			172,977
U.S. Department of Transportation:			
Federal Aviation Administration:			
<i>Airport Improvement Program</i>			
Airport Improvement Program - Rehabilitate Runway	20.106	N/A	147,002
Airport Improvement Program - Update Airport Layout Plan	20.106	N/A	116,556
Total Airport Improvement Program			263,557
<i>Passed through Ohio Department of Transportation:</i>			
<i>Highway Planning and Construction</i>			
Highway Planning and Construction	20.205	78124	326,940
Total Highway Planning and Construction			326,940
Total U.S. Department of Transportation:			590,497
Total Expenditures of Federal Awards			\$ 1,422,118

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**CITY OF FINDLAY
HANCOCK COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City’s federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B – Community Development Block Grants (CDBG) Revolving Loan Program

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants the money for these loans to the City. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards. Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans; and therefore, are reported as federal expenditures in the year of disbursement. Prior year outstanding balances are reported in the schedule below.

These loans are collateralized by equipment and mortgages.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivables balance as of January 1, 2012:	\$ 808,053
Loans Made:	27,500
Loan principal repaid:	<u>(154,353)</u>
Ending loans receivable balances as of December 31, 2012:	\$ 679,983
Cash balance on hand in the revolving loan fund as of December 31, 2012:	\$ 161,417
Delinquent Amounts due as of 12/31/12:	\$ 0

Note C – Repayment of Federal Funds

During 2012, the Ohio Department of Development conducted a monitor visit at the city. An environmental review finding resulted in a repayment of \$144,000 in grant funds from the Community Development Block Grant, CFDA # 14.228, grant award A-F-08-2BM-1 allocated to the identified project as failure to secure an environmental review release of funds prior to moving forward with a CDBG project, which constitutes a breach of federal statutory requirements. This amount was remitted in 2012 out of the General fund.

**CITY OF FINDLAY
HANCOCK COUNTY, OHIO
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, Section .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Assistance to Firefighters Grant Community Development Block Grant	CFDA# #97.044 #14.228
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**CITY OF FINDLAY
HANCOCK COUNTY, OHIO
SCHEDULE OF FINDINGS, (Cont.)
OMB CIRCULAR A-133, Section .505
DECEMBER 31, 2012**

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.