



Dave Yost • Auditor of State

CITY OF ELYRIA
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Federal Awards Expenditures Schedule.....	1
Notes to the Federal Awards Expenditures Schedule	3
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	5
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133, and the Federal Awards Expenditures Schedule	7
Schedule of Findings.....	11

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**CITY OF ELYRIA
LORAIN COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<i>Direct Federal Assistance Program:</i>			
CDBG - Entitlement Grants Cluster			
Neighborhood Stabilization Program	N/A	14.218	198,830
Community Development Block Grant	N/A	14.218	772,598
Total CDBG - Entitlement Grants Cluster			<u>971,428</u>
<i>Passed Through the Office of Community Planning and Development</i>			
Neighborhood Stabilization Program	B-11-UN-39-0012	14.228	232,265
Total Neighborhood Stabilization Program			<u>232,265</u>
<i>Passed Through the Ohio Department of Development:</i>			
HOME - Home Investment Partnership Program	A-C-11-2HA-2	14.239	108,901
Total HOME - Home Investment Partnership Program			<u>108,901</u>
Total U.S. Department of Housing & Urban Development			<u>1,312,594</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through United Way of America:</i>			
Emergency Food and Shelter National Board Program	679000-036	97.024	500
<i>Direct Federal Assistance Program:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	DWS-10-GPD-083-000-1	97.083	1,390,379
Total U.S. Department of Homeland Security			<u>1,390,879</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Health:</i>			
Maternal and Child Health Services Health Block Grant			
Child and Family Health Services	47-2-001-1-MC-0613	93.994	171,244
Child and Family Health Services	47-2-001-1-MC-0714	93.994	51,797
Total Maternal and Child Health Services Block Grant			<u>223,041</u>
<i>Passed Through Ohio Department of Health:</i>			
Dental Sealant Program	47-2-001-1-DS-0613	93.236	8,000
Total Dental Sealant Program			<u>8,000</u>

(Continued on the next page.)

**CITY OF ELYRIA
LORAIN COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)</u>			
<i>Passed Through Ohio Department of Health:</i>			
Public Health Emergency Preparedness	47-1-001-2-PH-0514	93.069	21,723
Public Health Emergency Preparedness	47-1-001-2-PI-0615	93.069	22,123
Public Health Emergency Preparedness	CRI - PI-14	93.069	8,815
Total Public Health Emergency Preparedness			<u>52,661</u>
Total U.S. Department of Health & Human Services			<u>283,702</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Federal Assistance Program:</i>			
ARRA - U.S. Department of Justice COPS Hiring Recovery Program	N/A	16.710	163,733
<i>Passed Through the Ohio Department of Justice:</i>			
Byrne Justice Assistance Program JAG Grant	2011-H3240-OH-DJ	16.738	18,707
Victims of Crime Act	N/A	16.575	37,236
Total U.S. Department of Justice			<u>219,676</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grants			
Highway Planning and Construction / State Project No. 88999	N/A	20.205	165,036
<i>Passed Through the Ohio Department of Justice</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants	2012-HVEO-47-0311	20.601	37,286
Total Alcohol Impaired Driving Countermeasures			<u>37,286</u>
Total U.S. Department of Transportation			<u>202,322</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 3,409,173</u></u>

See Notes to the Federal Awards Expenditures Schedule.

**CITY OF ELYRIA
LORAIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Elyria's (the City's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – SUBRECIPIENTS

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development to not-for-profit agencies (subrecipients). As Note A describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Subsequent loans are subject to certain compliance requirements imposed by HUD as the initial loans, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2014, the gross amount of loans outstanding under this program was \$1,899,549.

NOTE D – HOME IMPROVEMENT PARTNERSHIP (HOME) REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide no-interest loans to eligible persons in order to expand the supply of decent and affordable housing, particularly housing for low and very low-income citizens. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. Grant monies are passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule. Loans repaid are used to make additional loans. Subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2014, the gross amount of loans outstanding under this program was \$2,459,434.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CITY OF ELYRIA
LORAIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014**

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable for direct programs; not available for pass-through programs.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Elyria
Lorain County
131 Court Street
Elyria, Ohio 44035

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elyria, Lorain County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND THE FEDERAL AWARDS EXPENDITURES SCHEDULE

City of Elyria
Lorain County
131 Court Street
Elyria, Ohio 44035

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Elyria's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Elyria's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Elyria, Lorain County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

We have also 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 Elyria, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated August 31, 2015. We conducted our audit to opine on the City's basic financial statements. The accompanying federal awards expenditures schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2015

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**CITY OF ELYRIA
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Staffing for Adequate Fire and Emergency Response (SAFER) Grant / CFDA #97.083
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2014-01

Effects on Financial Statements – Material Weakness

Sound financial reporting is the responsibility of the Finance Director and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and accounting records:

CITY OF ELYRIA
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014

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

FINDING NUMBER 2014-01 (Continued)

Effects on Financial Statements – Material Weakness (Continued)

The City erroneously reported Unavailable revenue from special assessments (\$181,131) and Unavailable revenues from “other” (\$4,197,246) as Deferred Inflows of Resources on the Statement of Net Position. However, this should have been recognized as revenue on the full accrual basis of accounting. Further, as a result of the above, the City erroneously reported Unrestricted Net Position (\$3,551,996) on the Statement of Net Position. The requisite adjustments are reflected in the financial statements.

Not being aware of GASB pronouncements governing the financial statements and financial reporting resulted in material errors and irregularities that decrease the reliability of financial data.

We recommend the City’s management review applicable accounting pronouncements to help ensure the financial statements are materially stated.

Official’s Response: The City’s management will make sure it reviews all accounting pronouncements to ensure that the financial statements presented are materially stated.

3. FINDINGS FOR FEDERAL AWARDS

None.