

**CITY OF WAPAKONETA
AUGLAIZE COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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

**CITY OF WAPAKONETA
AUGLAIZE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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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 the Members of City Council
City of Wapakoneta
Wapakoneta, Ohio

The Honorable Dave Yost
Auditor of State
State of 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, each major fund, and the aggregate remaining fund information of the City of Wapakoneta, Auglaize County, Ohio, (the City) as of and for the year ended December 31, 2017, 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 22, 2018.

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 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'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2017-001**

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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



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

June 22, 2018

**CITY OF WAPAKONETA
AUGLAIZE COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number 2017-001 - Material Noncompliance - Appropriations Exceeding Estimated Resources

Condition/Criteria

Ohio Revised Code Section §5705.39 prohibits appropriations from each fund exceeding the total of the estimated resources available. During our compliance testing, it was noted that four funds had appropriations exceeding the final estimated resources. The Ohio Revised Code §5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus encumbered fund balances).

In addition, based on our review of Certificates of Estimated Resources, we noted that the City is not monitoring by fund the Certificate of Estimated Resources to appropriations.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Electric</u> Final Budget	\$ 19,826,910	\$ 20,943,956	\$(1,117,046)
<u>Storm Sewer</u> Final Budget	926,156	962,069	(35,913)
<u>Refuse</u> Final Budget	1,354,278	1,400,076	(45,798)
<u>Street Maintenance</u> Final Budget	656,739	668,495	(11,756)

Cause/Effect

Contrary to Ohio Revised Code Section §5705.39, the City had appropriations exceeding estimated resources available. However, the final expenditures did not exceed the final appropriations in either fund.

Recommendations

We recommend that the City follow the guidance provided in ORC §5705.39, by amending the appropriations to a level that does not exceed the amended certificate. We also recommend the City monitor its Certificate of Estimated Resources and Appropriations by fund which will assist in compliance with ORC section §5705.39.

City's Response

This was discovered as well by the City when putting the 2018 budget into CMI. The City's budget included the encumbered amounts when entered into CMI. The CMI software also carried forward the encumbered amounts causing a duplication. An Adjustment was made to correct 2018 budget, but no adjustment was made for the year 2017. This issue has been addressed.

**CITY OF WAPAKONETA
 AUGLAIZE COUNTY, OHIO
 STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness Noncompliance Errors in Withheld Tax Payments	Corrected	-
2016-002	Material Weakness Noncompliance Incorrect Transfer of Funds	Corrected	-
2016-003	Significant Deficiency Noncompliance Allocation of Wages to Funds	Corrected	-

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