

CITY OF RACINE

Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2007

CITY OF RACINE

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INDEPENDENT AUDITORS' 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 Mayor and Common Council
City of Racine
Racine, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine, Wisconsin as of and for the year ended December 31, 2007, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 28, 2008. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the City of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1, as described in our report on the City of Racine's financial statements. The financial statements of the City of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1 were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Racine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Racine's financial statements that is more than inconsequential will not be prevented or detected by the City of Racine's internal control.

To the Mayor and Common Council
City of Racine

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Racine's internal control.

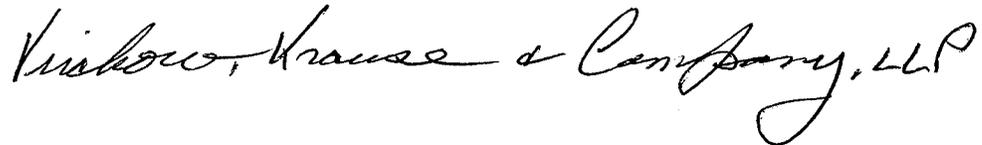
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the City of Racine's internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Racine'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 management of the City of Racine in a separate letter dated July 28, 2008.

This report is intended solely for the information and use of the City of Racine Common Council, management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Kiebow, Krause & Company, LLP". The signature is written in black ink and is positioned to the right of the text "This report is intended solely for the information and use of the City of Racine Common Council, management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties."

Milwaukee, Wisconsin
July 28, 2008



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*
AND THE *STATE SINGLE AUDIT GUIDELINES* AND THE SCHEDULES OF
EXPENDITURES OF FEDERAL AND STATE AWARDS

To the Mayor and Common Council
City of Racine
Racine, Wisconsin

Compliance

We have audited the compliance of the City of Racine, Wisconsin with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* and the *State Single Audit Guidelines*, that are applicable to each of its major federal and major state programs for the year ended December 31, 2007. The City of Racine's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the City of Racine's management. Our responsibility is to express an opinion on the City of Racine's compliance based on our audit.

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; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, *OMB Circular A-133* and the *State Single Audit Guidelines*, 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 or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Racine'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. Our audit does not provide a legal determination on the City of Racine's compliance with those requirements.

In our opinion, the City of Racine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and major state programs for the year ended December 31, 2007.

To the Mayor and Common Council
City of Racine

Internal Control Over Compliance

The management of the City of Racine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Racine's internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Racine's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses as defined above.

Schedules of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine as of and for the year ended December 31, 2007, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 28, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Racine's basic financial statements. Our report was modified to include a reference to other auditors who audited the financial statements of the City of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1, as described in our report on the City of Racine financial statements. The accompanying Schedules of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Mayor and Common Council
City of Racine

This report is intended solely for the information and use of the City of Racine Common Council, management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Vishaw, Krause & Company, LLP

Milwaukee, Wisconsin
September 24, 2008, except for the Schedules
of Expenditures of Federal and State Awards
as to which the date is July 28, 2008

**Schedule of Expenditures of
Federal Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2006	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2007	Local Revenue	Total Revenues	Grantor	Local	Total
U.S. DEPARTMENT OF AGRICULTURE									
Passed through Racine County Division of Health WIC	10.557	\$ (14,317)	234,717	9,343	-	229,743	229,743	-	229,743
U.S. DEPARTMENT OF COMMERCE									
Grants for Public Works and Economic Development Facilities Passed through Wisconsin Department of Administration Coastal Management Program	11.300	(576,578)	310,798	504,202	1,304,389	1,542,811	238,422	1,304,389	1,542,811
	11.419	-	10,427	17,464	46,282	74,173	27,891	46,282	74,173
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Community Development Block Grant Program	14.218*								
1999 Award		(7,284)	8,234	-	-	950	950	-	950
2000 Award		(37,713)	38,263	-	-	550	550	-	550
2001 Award		(4,304)	4,304	-	-	-	-	-	-
2002 Award		(28,504)	256,273	-	-	227,769	227,769	-	227,769
2003 Award		(19,035)	77,302	-	-	58,267	58,267	-	58,267
2004 Award		(9,652)	53,500	383	-	44,231	44,231	-	44,231
2005 Award		(36,681)	224,457	20,308	-	208,084	208,084	-	208,084
2006 Award		(501,516)	1,113,763	3,131	-	615,378	615,378	-	615,378
2007 Award		-	964,431	239,887	-	1,204,318	1,204,318	-	1,204,318
HOME Investment in Affordable Housing	14.239	(75,781)	700,043	19,142	-	643,404	643,404	-	643,404
Emergency Shelter Grants Program	14.231								
2005 Award		(5,130)	5,130	-	-	-	-	-	-
2006 Award		(14,438)	82,976	2,660	-	71,198	71,198	-	71,198
2007 Award		-	2,378	10,561	-	12,939	12,939	-	12,939
HUD Economic Development Initiative Passed through State of Wisconsin Department of Health and Family Services	14.251	-	-	267,300	332,700	600,000	267,300	332,700	600,000
HUD Lead Based Paint	14.900	-	4,500	(4,500)	1,475	1,475	-	1,475	1,475

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	Revenues						Expenditures		
	Federal CFDA Number	(Accrued)	Grantor Receipts	Accrued	Local Revenue	Total Revenues	Grantor	Local	Total
		Deferred Revenue 12/31/2006		(Deferred) Revenue 12/31/2007					
U.S. DEPARTMENT OF JUSTICE									
Passed through the Department of Administration									
Office of Justice Assistance									
Gang/Crime Diversion Task Force	16.523	\$ (17,902)	33,599	-	-	15,697	15,697	-	15,697
Truancy Committee Gang Diversion Project	16.738	-	14,167	17,880	-	32,047	32,047	-	32,047
Project Safe Neighborhood	16.609	(38,616)	38,616	50,000	-	50,000	50,000	-	50,000
Passed through the Wisconsin Department of Justice									
Local Law Enforcement Block Grant	16.592	(175)	-	-	175	-	(175)	175	-
Weed and Seed	16.725	(37,973)	212,457	20,274	-	194,758	194,758	-	194,758
U.S. DEPARTMENT OF TRANSPORTATION									
Urban Mass Transportation Administration									
Operating Formula Grant	20.507*	-	2,183,547	-	-	2,183,547	2,183,547	-	2,183,547
Passed through State of Wisconsin									
Department of Transportation									
Capital Formula Grant									
2000 Award Year	20.507*	(11,721)	11,721	-	-	-	-	-	-
Other Award Year		(4,208)	61,059	18,880	-	75,731	75,731	-	75,731
Capital Formula Grant									
2001 Award Year	20.500*	(51,858)	87,450	-	-	35,592	35,592	-	35,592
2002 Award Year		(73,429)	37,698	59,187	-	23,456	23,456	-	23,456
2003 Award Year		(51,228)	51,176	3,358	-	3,306	3,306	-	3,306
2004 Award Year		(26,689)	26,689	-	-	-	-	-	-
2005 Award Year		(33,000)	33,000	-	-	-	-	-	-
2006 Award Year		-	405	213,595	-	214,000	214,000	-	214,000
Surface Transportation Discretionary Program (STP)	20.500*	(107,790)	106,459	1,331	-	-	-	-	-
Congestion Mitigation & Air Quality	20.205	(1,496,044)	1,397,368	116,383	-	17,707	17,707	-	17,707
Pedestrian Safety	20.600	-	15,500	-	750	16,250	15,500	750	16,250
Alcohol Enforcement	20.600	-	25,000	-	-	25,000	25,000	-	25,000
Surface Transportation Program (STP)-Hazard Elimination	20.600	-	-	108,924	12,103	121,027	108,924	12,103	121,027
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES									
Passed through State of Wisconsin									
Department of Public Instruction									
Library Services & Technology Act	45.310	-	-	3,465	-	3,465	3,465	-	3,465

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2006	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2007	Local Revenue	Total Revenues	Grantor	Local	Total
U.S. ENVIRONMENTAL PROTECTION AGENCY									
Brownfields Assessment and Cleanup Cooperative	66.818	\$ (33,971)	117,657	26,204	-	109,890	109,890	-	109,890
Passed through State of Wisconsin Department of Natural Resources									
Beach Assessment Monitoring Grant	66.472	-	6,600	-	-	6,600	6,600	-	6,600
Beach Survey Grant	66.469	-	-	28,876	-	28,876	28,876	-	28,876
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
IDA-Assets for Independence Program	93.602	-	121,500	(118,500)	4,000	7,000	3,000	4,000	7,000
Passed through State of Wisconsin Department of Health and Family Services									
Lead Based Paint	93.197	(3,192)	87,096	(7,583)	-	76,321	76,321	-	76,321
Childhood Immunization Grant	93.268	466	41,458	(5,096)	-	36,828	36,828	-	36,828
Pandemic Flu Grant	93.268	-	79,870	(18,473)	13,700	75,097	61,397	13,700	75,097
Bio Terro-CDC Focus	93.283	62,102	82,615	(32,617)	-	112,100	112,100	-	112,100
Consolidated Contract-WWWP CDC	93.283	11,643	18,390	(12,929)	-	17,104	17,104	-	17,104
West Nile Virus Assessment and Control	93.283	(1,500)	1,667	333	-	500	500	-	500
Preventive Health & Health Services	93.991	5,816	14,394	(8,353)	-	11,857	11,857	-	11,857
Maternal and Child Health Grant	93.778	2,958	5,248	(3,299)	3,936	8,843	4,907	3,936	8,843
Maternal and Child Health Grant	93.994	39,596	70,236	(44,161)	52,677	118,348	65,671	52,677	118,348
Passed through Racine Area United Way									
Home Visitation	93.959	-	37,754	3,624	-	41,378	41,378	-	41,378
Home Visitation	93.556	-	6,078	583	-	6,661	6,661	-	6,661
Passed through Racine County Division of Health Brighter Futures Initiative-Block Grants for Prevention & Treatment of Substance Abuse	93.959	(10,783)	33,241	9,042	-	31,500	31,500	-	31,500
U.S. DEPARTMENT OF HOMELAND SECURITY									
Passed through State of Wisconsin Office of Justice Homeland Security Grant Program	97.067	-	-	89,086	38,666	127,752	89,086	38,666	127,752
TOTAL FEDERAL AWARDS		\$ (3,208,431)	9,151,211	1,609,895	1,810,853	9,363,528	7,552,675	1,810,853	9,363,528

* Represents a major federal program.

**Schedule of Expenditures of
State Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2007

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue	Grantor Receipts	Accrued (Deferred) Revenue	Local Revenue	Total Revenues	Grantor	Local	Total
		12/31/2006		12/31/2007					
WISCONSIN DEPARTMENT OF COMMERCE									
Housing Cost Reduction Initiative	143.702	\$ -	-	3,360	-	3,360	3,360	-	3,360
WISCONSIN DEPARTMENT OF NATURAL RESOURCES									
Beach E-Coli Study	370.419	-	10,934	-	-	10,934	10,934	-	10,934
Recreational Boating Facilities	370.573	(29,789)	-	-	29,789	-	(29,789)	29,789	-
Recreational Boating Facilities	370.573	-	-	32,079	-	32,079	32,079	-	32,079
Storm Water Management Grant	370.658	(65,761)	75,406	-	-	9,645	9,645	-	9,645
Brownfield Site Assessment Grant	370.687	(29,895)	29,895	-	8,296	8,296	-	8,296	8,296
Brownfield Site Assessment Grant	370.687	-	29,895	-	-	29,895	29,895	-	29,895
WISCONSIN DEPARTMENT OF TRANSPORTATION									
Transit Operating Aids	395.104*								
2004 Award Year		(175,853)	-	175,853	-	-	-	-	-
2005 Award Year		(244,926)	188,324	56,602	-	-	-	-	-
2006 Award Year		(190,484)	-	190,484	-	-	-	-	-
2007 Award Year		-	2,135,365	237,262	-	2,372,627	2,372,627	-	2,372,627
WISCONSIN DEPARTMENT OF HEALTH AND FAMILY SERVICES									
Consolidated Contract-WWWP CDC	435.155	10,159	16,046	(11,281)	-	14,924	14,924	-	14,924
Consolidated Contract-WWWP CDC	435.157	21,855	34,518	(24,269)	-	32,104	32,104	-	32,104
Consolidated Contract-Childhood Lead	435.157	18,327	34,502	(15,254)	-	37,575	37,575	-	37,575
Tobacco Prevention and Control	435.158	33,413	57,998	(45,289)	-	46,122	46,122	-	46,122
Maternal and Child Health Grant	435.159	2,958	5,248	(3,299)	3,936	8,843	4,907	3,936	8,843
* Passed through United Way of Racine County									
Home Visitation	435.159	-	15,755	1,512	-	17,267	17,267	-	17,267
Passed through Racine County Division of Health									
Brighter Futures-Medical Assistance Program	435.540	(13,179)	40,627	11,052	-	38,500	38,500	-	38,500

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2007

State Agency/Program Title	State ID Number	Revenues				Expenditures			
		(Accrued) Deferred Revenue	Grantor Receipts	Accrued (Deferred) Revenue	Local Revenue	Total Revenues	Grantor	Local	Total
		12/31/2006		12/31/2007					
WISCONSIN DEPARTMENT OF JUSTICE ASSISTANCE									
Youth Gang Diversion Program Grant	505.639	(31,517)	96,900	22,487	-	87,870	87,870	-	87,870
Beat Patrol Officers Grant	505.207 *	-	117,449	-	46,413	163,862	117,449	46,413	163,862
TOTAL STATE AWARDS		<u>\$ (694,692)</u>	<u>2,888,862</u>	<u>627,939</u>	<u>88,434</u>	<u>2,910,543</u>	<u>2,822,109</u>	<u>88,434</u>	<u>2,910,543</u>

* Represents a major state program.

See accompanying notes to Schedule of Expenditures of Federal and State Awards

CITY OF RACINE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2007

NOTE 1 – REPORTING ENTITY

The report on Expenditures of Federal and State Awards includes all of the funds of the City of Racine. The reporting entity for the City is based upon criteria established by the *Governmental Accounting Standards Board*.

State programs reported include only those programs required to be included in accordance with the *State Single Audit Guidelines*.

NOTE 2 – BASIS OF PRESENTATION

The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations and the State Single Audit Guidelines*.

NOTE 3 – OVERSIGHT AND COGNIZANT AGENCIES

The City's federal oversight agency for audit is the U.S. Department of Housing and Urban Development. The City's state cognizant agency is the Wisconsin Department of Revenue.

NOTE 4 – FEDERAL PROGRAM CLUSTER

The following programs have been identified as a cluster in accordance with the requirements of OMB Circular A-133:

<u>Federal Transit Cluster</u>	<u>Expenditures</u>
20.500 Federal Transit – Capital Investment	\$ 276,354
20.507 Federal Transit – Formula Grants	<u>2,259,278</u>
Total	<u>\$2,723,669</u>

NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

The finding identified as Financial Statement Finding No. 06-01 in the Single Audit Report for the year ended December 31, 2006 has been satisfactorily resolved.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal or State Awards

Internal control over major programs		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	_____ <u>X</u> no

Dollar threshold used to distinguish between Type A and Type B programs	
Federal programs	\$ 300,000
State programs	\$ 100,000

Auditee qualified as low-risk auditee?		
Federal programs	_____ <u>X</u> yes	_____ no
State programs	_____ <u>X</u> yes	_____ no

Identification of major federal programs

CFDA NUMBER(S)

14.218
20.500 & 20.507

Name of Federal Program or Cluster

Community Development Block Grant Program
Federal Transit Cluster

Identification of major state programs

STATE ID NUMBER(S)

395.104
505.207

Name of State Program

Transit Operating Aids
Beat Patrol Officers Grant

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Section II: Financial Statement Findings

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

Section III: Federal and State Award Findings and Questioned Costs

There were no findings or questioned costs related to federal and state awards.

Section IV: Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes X no N/A

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:
Department of Health and Family Services yes X no N/A
Department of Transportation yes X no N/A
Department of Natural Resources yes X no N/A
Department of Justice Assistance yes X no N/A
Department of Commerce yes X no N/A
Department of Administration yes X no N/A

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no N/A

4. Name and signature of partner [Signature] CPA
Donald N. Vilione, CPA, Partner

5. Date of report September 24, 2008

CITY OF RACINE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2007

The following summary schedule of prior audit findings has been prepared by management of the City of Racine.

Financial Statement Finding

Finding 06-01: City of Racine Transit System

Corrective action has been taken.