

CITY OF RACINE
Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2008

CITY OF RACINE

TABLE OF CONTENTS December 31, 2008

| | <u>Page</u> |
|--|-------------|
| 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 <i>Government Auditing Standards</i> | 1-2 |
| Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> and the <i>State Single Audit Guidelines</i> and the Schedules of Expenditures of Federal and State Awards | 3-5 |
| Schedule of Expenditures of Federal Awards | 6-9 |
| Schedule of Expenditures of State Awards | 10-11 |
| Notes to Schedules of Expenditures of Federal and State Awards | 12 |
| Schedule of Findings and Questioned Costs | 13-16 |

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, 2008, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 23, 2009. 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. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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.

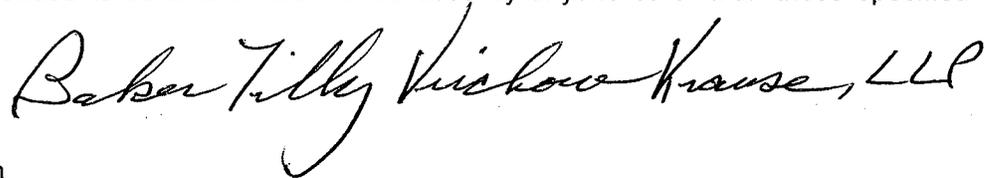
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any 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 23, 2009.

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 black ink that reads "Baker Tilly Viskow Krause, LLP". The signature is written in a cursive style 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 23, 2009



BAKER TILLY

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**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, 2008. 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.

The City of Racine's basic financial statements include the operation of the City of Racine Water Utility, which received \$677,333 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2008. Our audit, described below, did not include the operations of the City of Racine Water Utility because the utility had a separate audit in accordance with OMB Circular A-133.

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.

To the Mayor and Common Council
City of Racine

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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 or the State Single Audit Guidelines and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-01 and 08-02.

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.

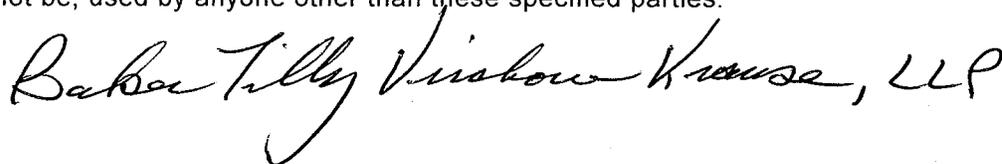
To the Mayor and Common Council
City of Racine

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, 2008, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 23, 2009. 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.

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

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.



Milwaukee, Wisconsin
August 31, 2009, except for the Schedules
of Expenditures of Federal and State Awards
as to which the date is July 23, 2009

**Schedule of Expenditures of
Federal Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Revenues | | | | | Expenditures | | |
|--|---------------------------|--|---------------------|--|------------------|-------------------|--------------|---------|-----------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | Local Revenue | Total Revenues | Grantor | Local | Total |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| Passed through Racine County Division of Health WIC | 10.557 | \$ (9,343) | 243,595 | 18,214 | - | 252,466 | 252,466 | - | 252,466 |
| U.S. DEPARTMENT OF COMMERCE | | | | | | | | | |
| Grants for Public Works and Economic Development Facilities Passed through Wisconsin Department of Administration Coastal Management Program | 11.300 | (504,202) | 422,660 | 81,542 | 31,636 | 31,636 | - | 31,636 | 31,636 |
| | 11.419 | (17,464) | 30,097 | 9,303 | 16,028 | 37,964 | 21,936 | 16,028 | 37,964 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | | | |
| Community Development Block Grant Program | 14.218 * | | | | | | | | |
| 2004 Award | | (383) | 4,372 | 4,000 | - | 7,989 | 7,989 | - | 7,989 |
| 2005 Award | | (20,308) | 144,245 | 24,846 | - | 148,783 | 148,783 | - | 148,783 |
| 2006 Award | | (3,131) | 128,050 | - | - | 124,919 | 124,919 | - | 124,919 |
| 2007 Award | | (239,887) | 764,748 | 14,517 | - | 539,378 | 539,378 | - | 539,378 |
| 2008 Award | | - | 1,070,744 | 255,632 | 46,424 | 1,372,800 | 1,326,376 | 46,424 | 1,372,800 |
| HOME Investment in Affordable Housing Emergency Shelter Grants Program | 14.239 | (19,142) | 103,244 | 405,637 | 137,395 | 627,134 | 489,739 | 137,395 | 627,134 |
| | 14.231 | | | | | | | | |
| 2005 Award | | - | - | - | - | - | - | - | - |
| 2006 Award | | (2,660) | 2,939 | - | - | 279 | 279 | - | 279 |
| 2007 Award | | (10,561) | 77,994 | 5,430 | 2,144 | 75,007 | 72,863 | 2,144 | 75,007 |
| 2008 Award | | - | 4,412 | - | - | 4,412 | 4,412 | - | 4,412 |
| HUD Economic Development Initiative Passed through the City of Racine Redevelopment Authority | 14.251 | (267,300) | 267,300 | - | - | - | - | - | - |
| HUD Economic Development Initiative | 14.251 | - | - | 196,000 | 79,872 | 275,872 | 196,000 | 79,872 | 275,872 |
| Passed through State of Wisconsin Department of Health and Family Services HUD Lead Based Paint | 14.900 | 4,500 | (100) | (2,840) | - | 1,560 | 1,560 | - | 1,560 |

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Revenues | | | Local Revenue | Total Revenues | Expenditures | | |
|--|---------------------|---------------------------------------|------------------|---------------------------------------|---------------|----------------|--------------|-------|-----------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | | | Grantor | Local | Total |
| U.S. DEPARTMENT OF THE INTERIOR | | | | | | | | | |
| Passed through the State of Wisconsin Department of Natural Resources | | | | | | | | | |
| Clean Vessel Act' | 15.616 | \$ - | - | 13,279 | - | 13,279 | 13,279 | - | 13,279 |
| Clean Vessel Act' | 15.616 | - | - | 15,000 | 5,000 | 20,000 | 15,000 | 5,000 | 20,000 |
| Passed through the State of Wisconsin Historical Society | | | | | | | | | |
| Historic Preservation Project | 15.904 | - | 16,443 | - | - | 16,443 | 16,443 | - | 16,443 |
| U.S. DEPARTMENT OF JUSTICE | | | | | | | | | |
| Passed through the Department of Administration Office of Justice Assistance | | | | | | | | | |
| Truancy Committee Gang Diversion Project | 16.738 | (17,880) | 17,880 | - | - | - | - | - | - |
| Project Safe Neighborhood | 16.609 | (50,000) | 50,000 | 50,000 | - | 50,000 | 50,000 | - | 50,000 |
| Passed through the Wisconsin Department of Justice | | | | | | | | | |
| Weed and Seed | 16.725 | (20,274) | 164,277 | 9,522 | - | 153,525 | 153,525 | - | 153,525 |
| Gang Resistance Education and Training (G.R.E.A.T) | 16.737 | - | 36,885 | (28,112) | - | 8,773 | 8,773 | - | 8,773 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | | | | |
| Urban Mass Transportation Administration | | | | | | | | | |
| Operating Formula Grant | 20.507* | - | - | 2,111,095 | - | 2,111,095 | 2,111,095 | - | 2,111,095 |
| Passed through State of Wisconsin Department of Transportation | | | | | | | | | |
| Capital Formula Grant | 20.507* | | | | | | | | |
| Other Award Year | | (18,880) | 43,551 | 49,594 | - | 74,265 | 74,265 | - | 74,265 |
| Capital Formula Grant | 20.500* | | | | | | | | |
| 2000 Award Year | | - | 4,933 | - | - | 4,933 | 4,933 | - | 4,933 |
| 2001 Award Year | | - | 11,864 | - | - | 11,864 | 11,864 | - | 11,864 |
| 2002 Award Year | | (59,187) | 52,262 | 109,068 | - | 102,143 | 102,143 | - | 102,143 |
| 2003 Award Year | | (3,358) | - | 93,992 | - | 90,634 | 90,634 | - | 90,634 |
| 2004 Award Year | | - | - | 223,094 | - | 223,094 | 223,094 | - | 223,094 |
| 2005 Award Year | | - | 87,480 | - | - | 87,480 | 87,480 | - | 87,480 |
| 2006 Award Year | | (213,595) | 213,595 | - | - | - | - | - | - |
| 2007 Award Year | | - | - | 17,881 | - | 17,881 | 17,881 | - | 17,881 |

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Revenues | | | | | Expenditures | | |
|---|---------------------------|--|---------------------|--|------------------|-------------------|--------------|--------|---------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | Local Revenue | Total Revenues | Grantor | Local | Total |
| U.S. DEPARTMENT OF TRANSPORTATION (CONTINUED) | | | | | | | | | |
| Surface Transportation Discretionary Program (STP) | 20.500* | \$ (1,331) | - | 1,331 | - | - | - | - | - |
| Congestion Mitigation & Air Quality | 20.205 | (116,383) | - | 260,771 | - | 144,388 | 144,388 | - | 144,388 |
| Pedestrian Safety | 20.600 | - | 8,000 | - | - | 8,000 | 8,000 | - | 8,000 |
| Alcohol Enforcement | 20.600 | - | 18,000 | 2,785 | - | 20,785 | 20,785 | - | 20,785 |
| Surface Transportation Program (STP)-Hazard Elimination | 20.600 | (108,924) | - | 144,000 | - | 35,076 | 35,076 | - | 35,076 |
| NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES | | | | | | | | | |
| Passed through State of Wisconsin | | | | | | | | | |
| Department of Public Instruction | 45.310 | | | | | | | | |
| Library Services & Technology Act | | (3,465) | 3,465 | - | - | - | - | - | - |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | | | | |
| Brownsfield Assessment and Cleanup Cooperative | 66.818 | (26,204) | - | 57,614 | - | 31,410 | 31,410 | - | 31,410 |
| Passed through State of Wisconsin | | | | | | | | | |
| Department of Natural Resources | | | | | | | | | |
| Beach Survey Grant | 66.469 | (28,876) | 29,000 | 11,600 | - | 11,724 | 11,724 | - | 11,724 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | | |
| IDA-Assets for Independence Program | 93.602 | 118,500 | - | (111,782) | 18,719 | 25,437 | 6,718 | 18,719 | 25,437 |
| Passed through State of Wisconsin | | | | | | | | | |
| Department of Health and Family Services | | | | | | | | | |
| Bio Terro-CDC Focus | 93.069 | - | 63,045 | - | - | 63,045 | 63,045 | - | 63,045 |
| Cities Readiness Initiative | 93.069 | - | 39,834 | (18,687) | - | 21,147 | 21,147 | - | 21,147 |
| Lead Based Paint | 93.197 | 7,583 | 88,404 | 2,887 | 21,473 | 120,347 | 98,874 | 21,473 | 120,347 |
| Childhood Immunization Grant | 93.268 | 5,096 | 41,477 | (6,235) | - | 40,338 | 40,338 | - | 40,338 |
| Pandemic Flu Grant | 93.268 | 18,473 | - | (13,700) | - | 4,773 | 4,773 | - | 4,773 |
| Bio Terro-CDC Focus | 93.283 | 32,617 | - | - | - | 32,617 | 32,617 | - | 32,617 |
| Consolidated Contract-WWWP CDC | 93.283 | 12,929 | - | - | - | 12,929 | 12,929 | - | 12,929 |
| West Nile Virus Assessment and Control | 93.283 | (333) | 333 | - | - | - | - | - | - |
| PHP-Pandemic Influenza | 93.283 | - | 16,733 | (10,556) | - | 6,177 | 6,177 | - | 6,177 |

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Revenues | | | | | Expenditures | | |
|---|---------------------------|--|---------------------|--|------------------|-------------------|------------------|----------------|------------------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | Local Revenue | Total Revenues | Grantor | Local | Total |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED) | | | | | | | | | |
| Preventive Health & Health Services | 93.991 | \$ 8,353 | 14,392 | (7,050) | - | 15,695 | 15,695 | - | 15,695 |
| Maternal and Child Health Grant | 93.778 | 3,299 | 5,247 | (3,619) | - | 4,927 | 4,927 | - | 4,927 |
| Maternal and Child Health Grant | 93.994 | 44,161 | 70,234 | (48,439) | 60,564 | 126,520 | 65,956 | 60,564 | 126,520 |
| Passed through Racine Area United Way | | | | | | | | | |
| Home Visitation | 93.959 | (3,624) | 34,232 | 6,175 | - | 36,783 | 36,783 | - | 36,783 |
| Home Visitation | 93.556 | (583) | 5,511 | 994 | - | 5,922 | 5,922 | - | 5,922 |
| Passed through Racine County Division of Health | | | | | | | | | |
| Brighter Futures Initiative-Block Grants for Prevention & Treatment of Substance Abuse | 93.959 | (9,042) | 9,042 | - | - | - | - | - | - |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | | | | |
| Passed through State of Wisconsin Department of Military Affairs | | | | | | | | | |
| Disaster Recovery Award-Snow | 97.036 | - | 94,091 | - | 15,498 | 109,589 | 94,091 | 15,498 | 109,589 |
| Disaster Recovery Award-Flood | 97.036 | - | 88,701 | - | 8,555 | 97,256 | 88,701 | 8,555 | 97,256 |
| Passed through State of Wisconsin Office of Justice | | | | | | | | | |
| Homeland Security Grant Program | 97.067 | - | - | 33,394 | - | 33,394 | 33,394 | - | 33,394 |
| Homeland Security Grant Program | 97.067 | (89,086) | 89,086 | - | - | - | - | - | - |
| TOTAL FEDERAL AWARDS | | \$ (1,609,895) | 4,682,297 | 3,978,177 | 443,308 | 7,493,887 | 7,050,579 | 443,308 | 7,493,887 |

* Represents a major federal program.

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

**Schedule of Expenditures of
State Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2008

| State Agency/Program Title | State ID Number | Revenues | | | | | Expenditures | | |
|---|-----------------|---------------------------------------|------------------|---------------------------------------|---------------|----------------|--------------|--------|-----------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | Local Revenue | Total Revenues | Grantor | Local | Total |
| | | | | | | | | | |
| WISCONSIN DEPARTMENT OF COMMERCE | | | | | | | | | |
| Housing Cost Reduction Initiative | 143.702 | \$ (3,360) | 10,080 | 333 | - | 7,053 | 7,053 | - | 7,053 |
| WISCONSIN DEPARTMENT OF NATURAL RESOURCES | | | | | | | | | |
| Beach E-Coli Study | 370.419 | - | 5,744 | - | - | 5,744 | 5,744 | - | 5,744 |
| Recreational Boating Facilities | 370.573 | - | 2,500 | 2,500 | 15,000 | 20,000 | 5,000 | 15,000 | 20,000 |
| Recreational Boating Facilities | 370.573 | (32,079) | - | 38,016 | - | 5,937 | 5,937 | - | 5,937 |
| Recreational Boating Facilities | 370.573 | - | 35,000 | 27,157 | 62,157 | 124,314 | 62,157 | 62,157 | 124,314 |
| WISCONSIN DEPARTMENT OF TRANSPORTATION | | | | | | | | | |
| Transit Operating Aids | 395.104* | | | | | | | | |
| 2004 Award Year | | (175,853) | 181,112 | - | - | 5,259 | 5,259 | - | 5,259 |
| 2005 Award Year | | (56,602) | - | 56,602 | - | - | - | - | - |
| 2006 Award Year | | (190,484) | 127,875 | 62,609 | - | - | - | - | - |
| 2007 Award Year | | (237,262) | - | 237,262 | - | - | - | - | - |
| 2008 Award Year | | - | 2,317,821 | 257,535 | - | 2,575,356 | 2,575,356 | - | 2,575,356 |
| WISCONSIN DEPARTMENT OF HEALTH AND FAMILY SERVICES | | | | | | | | | |
| Infant Mortality | 435.110 | - | 165,983 | (82,093) | - | 83,890 | 83,890 | - | 83,890 |
| Consolidated Contract-WWWP CDC | 435.155 | 11,281 | - | - | - | 11,281 | 11,281 | - | 11,281 |
| Consolidated Contract-WWWP CDC | 435.157 | 24,269 | 77,469 | (77,328) | 10,000 | 34,410 | 24,410 | 10,000 | 34,410 |
| Consolidated Contract-Childhood Lead | 435.157 | 15,254 | 35,116 | (33,154) | - | 17,216 | 17,216 | - | 17,216 |
| Tobacco Prevention and Control | 435.158 | 45,289 | 66,109 | (63,705) | - | 47,693 | 47,693 | - | 47,693 |
| Maternal and Child Health Grant | 435.159 | 3,299 | 5,247 | (3,619) | - | 4,927 | 4,927 | - | 4,927 |
| Passed through United Way of Racine County | | | | | | | | | |
| Home Visitation | 435.159 | (1,512) | 14,285 | 2,577 | - | 15,350 | 15,350 | - | 15,350 |
| Passed through Racine County Division of Health | | | | | | | | | |
| Brighter Futures-Medical Assistance Program | 435.540 | (11,052) | 11,052 | - | - | - | - | - | - |

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2008

| State Agency/Program Title | State ID Number | Revenues | | | | | Expenditures | | |
|---|-----------------|---------------------------------------|------------------|---------------------------------------|----------------|------------------|------------------|----------------|------------------|
| | | (Accrued) Deferred Revenue 12/31/2007 | Grantor Receipts | Accrued (Deferred) Revenue 12/31/2008 | Local Revenue | Total Revenues | Grantor | Local | Total |
| WISCONSIN DEPARTMENT OF MILITARY AFFAIRS | | | | | | | | | |
| Disaster Recovery Aids Award-Snow | 465.305 | \$ - | 15,498 | - | - | 15,498 | 15,498 | - | 15,498 |
| Disaster Recovery Aids Award-Flood | 465.305 | - | 8,555 | - | - | 8,555 | 8,555 | - | 8,555 |
| WISCONSIN DEPARTMENT OF JUSTICE ASSISTANCE | | | | | | | | | |
| Youth Gang Diversion Program Grant | 505.639 | (22,487) | 28,953 | 67,947 | - | 74,413 | 74,413 | - | 74,413 |
| Youth Gang Diversion Program Grant | 505.639 | - | - | 28,931 | - | 28,931 | 28,931 | - | 28,931 |
| Beat Patrol Officers Grant | 505.207 | - | 143,750 | - | 48,529 | 192,279 | 143,750 | 48,529 | 192,279 |
| TOTAL STATE AWARDS | | \$ (627,939) | 3,242,069 | 521,237 | 135,686 | 3,271,053 | 3,135,367 | 135,686 | 3,271,053 |

* Represents a major state program.

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

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2008

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 | \$ 538,029 |
| 20.507 Federal Transit – Formula Grants | <u>2,185,360</u> |
| Total | <u>\$2,723,389</u> |

NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

There were no findings identified in the Single Audit Report for the year ended December 31, 2007.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

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 | ___X___ no |
| Reportable condition(s) identified not considered to be material weaknesses? | _____ yes | ___X___ none reported |
| Noncompliance material to financial statements noted? | _____ yes | ___X___ no |

Federal or State Awards

| | | |
|--|-----------|-----------------------|
| Internal control over major programs | | |
| Material weakness(es) identified? | _____ yes | ___X___ no |
| Reportable condition(s) identified not considered to be material weaknesses? | _____ yes | ___X___ 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)? | ___X___ yes | _____ 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 | _____ yes | ___X___ no |
| State programs | _____ yes | ___X___ 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

Name of State Program

Transit Operating Aids

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2008

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

Finding 08- 01: Disadvantaged Business Enterprise (DBE) Reporting

CFDA # and Program Name

20.500 and 20.507 Federal Transit Cluster

Condition

Racine Transit did not submit semi-annual reports as required for the Disadvantaged Business Enterprise program in 2008.

Criteria

Recipients of Department of Transportation CFDA 20.507 are required to implement a DBE program. To monitor the progress of the DBE program, the recipient is required to submit semi-annual reports based on a recordkeeping system (49 CFR section 26.11 and Appendix B to part 26).

Effect

Although Racine Transit could lose FTA grant funding for noncompliance of the required reporting, neither 2008 nor 2009 funding is currently at risk.

Cause

In May 2008, the Transit Manager left Racine Transit. As a result, the DBE reporting was overlooked.

Recommendation

We recommend Racine Transit file these required semi-annual reports for the DBE program.

Management's Response

The City has contacted the FTA to determine the exact DBE reporting requirements and has subsequently submitted all required DBE reports. In addition, the City has instituted a procedure to ensure that all reporting is done in a timely manner.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2008

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS (cont.)

Finding 08-02: Financial Status Reporting (FSR)

CFDA # and Program Name

20.500 and 20.507 Federal Transit Cluster

Condition

Racine Transit did not submit an annual report as required by the Federal Transit Administration in 2008.

Criteria

Recipients of Department of Transportation CFDA 20.507 are required to submit an annual financial status report by October 31 which is used to monitor project funds. The purpose of the FSR is to provide a current, complete, and accurate financial picture of the grant (FTA C 5010.1D).

Effect

Although Racine Transit could lose FTA grant funding for noncompliance of the required reporting, neither 2008 nor 2009 funding is currently at risk.

Cause

In May 2008, the Transit Manager left Racine Transit. As a result, the financial status reporting was overlooked.

Recommendation

We recommend Racine Transit file this required annual report.

Management's Response

The City has subsequently submitted the required FSR report and has instituted procedures to ensure that all FTA reporting is done in a timely manner.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

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 | <u> X </u> | no | _____ | N/A |
| Department of Transportation | _____ | yes | <u> X </u> | no | _____ | N/A |
| Department of Natural Resources | _____ | yes | <u> X </u> | no | _____ | N/A |
| Department of Justice Assistance | _____ | yes | <u> X </u> | no | _____ | N/A |
| Department of Commerce | _____ | yes | <u> X </u> | no | _____ | N/A |
| Department of Military Affairs | _____ | yes | <u> X </u> | no | _____ | N/A |
| Department of Administration | _____ | yes | <u> X </u> | 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 
_____ Donald N. Viliono, CPA, Partner

5. Date of report August 31, 2009