

CITY OF RACINE
Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2009

CITY OF RACINE

TABLE OF CONTENTS December 31, 2009

	<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 Schedule 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 Schedule of Expenditures of Federal and State Awards	12
Schedule of Findings and Questioned Costs	13-16
Summary Schedule of Prior Audit Findings	17

**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, 2009, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 19, 2010. 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 City of Racine Water and Wastewater Utilities and 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

To the Mayor and Common Council
City of Racine

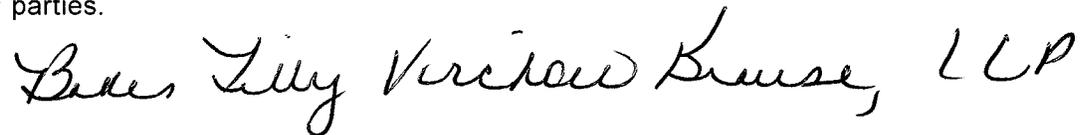
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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 19, 2010.

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 "Brian Tully Verchow Kruse, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 19, 2010

**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 SCHEDULE 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, 2009. 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.

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, 2009. 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 09-01 and 09-02.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2009, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 19, 2010. 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
September 22, 2010 except for the Schedules
of Expenditures of Federal and State Awards
as to which the date is July 19, 2010.

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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 12/31/2008		(Deferred) Revenue 12/31/2009					
U.S. DEPARTMENT OF AGRICULTURE									
Passed through State of Wisconsin Department of Health Services WIC	10.557	\$ (18,214)	255,894	29,182	-	266,862	266,862	-	266,862
U.S. DEPARTMENT OF COMMERCE									
Grants for Public Works and Economic Development Facilities Passed through Wisconsin Department of Administration Coastal Management Program	11.300	(81,542)	81,542	-	-	-	-	-	-
	11.419	(9,303)	26,884	20,486	-	38,067	38,067	-	38,067
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Community Development Block Grant Program	14.218 *								
2004 Award		(4,000)	20,979	-	-	16,979	16,979	-	16,979
2005 Award		(24,846)	62,989	5,826	-	43,969	43,969	-	43,969
2006 Award		-	18,053	-	-	18,053	18,053	-	18,053
2007 Award		(14,517)	134,917	56,566	-	176,966	176,966	-	176,966
2008 Award		(255,632)	691,334	-	-	435,702	435,702	-	435,702
2009 Award		-	961,781	348,300	-	1,310,081	1,310,081	-	1,310,081
Community Development Block Grant Program-Recovery Funds (ARRA) Passed through State of Wisconsin Department of Commerce Neighborhood Stabilization Program	14.253 *	-	-	332,159	-	332,159	332,159	-	332,159
	14.218*	-	312,634	(2,028)	-	310,606	310,606	-	310,606
Total Community Development Block Grants Cluster		(298,995)	2,202,687	740,823	-	2,644,515	2,644,515	-	2,644,515
HOME Investment in Affordable Housing Emergency Shelter Grants Program	14.239 *	(405,637)	1,132,452	52,253	52,850	831,918	779,068	52,850	831,918
2007 Award	14.231	(5,430)	5,484	-	-	54	54	-	54
2008 Award		-	77,313	4,195	-	81,508	81,508	-	81,508
2009 Award		-	7,936	51,551	-	59,487	59,487	-	59,487
Passed through the City of Racine Redevelopment Authority HUD Economic Development Initiative	14.251	(196,000)	196,000	-	-	-	-	-	-
Homeless Assistance Program (HPRP) Passed through State of Wisconsin Department of Health Services HUD Lead Based Paint	14.257	-	-	11,737	-	11,737	11,737	-	11,737
	14.900	2,840	-	-	-	2,840	2,840	-	2,840

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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 12/31/2008		(Deferred) Revenue 12/31/2009					
U.S. DEPARTMENT OF THE INTERIOR									
Passed through the State of Wisconsin Department of Natural Resources									
Clean Vessel Act	15.616	\$ (13,279)	39,136	-	-	25,857	25,857	-	25,857
Clean Vessel Act	15.616	(15,000)	15,000	-	-	-	-	-	-
U.S. DEPARTMENT OF JUSTICE									
Passed through the Department of Administration									
Office of Justice Assistance									
Juvenile Accountability Block Grants	16.523	-	6,803	-	-	6,803	6,803	-	6,803
Anti-Gang Initiative - Project Safe Neighborhood	16.744	(50,000)	74,079	921	-	25,000	25,000	-	25,000
2008 Justice Assistance Grant	16.738	-	25,955	-	-	25,955	25,955	-	25,955
2009 Justice Assistance Grant	16.738	-	88,804	(46,424)	-	42,380	42,380	-	42,380
2009 Justice Assistance Grant-ARRA	16.804	-	-	17,770	-	17,770	17,770	-	17,770
Weed and Seed	16.725	(9,522)	95,504	27,506	-	113,488	113,488	-	113,488
Gang Resistance Education and Training (G.R.E.A.T)	16.737	28,112	-	(19,322)	-	8,790	8,790	-	8,790
U.S. DEPARTMENT OF TRANSPORTATION									
Urban Mass Transportation Administration									
Operating Formula Grant	20.507*	(2,111,095)	4,527,536	-	-	2,416,441	2,416,441	-	2,416,441
Section 5309-ARRA	20.507*	-	-	42,958	-	42,958	42,958	-	42,958
Capital Grant-2007 Award Year	20.507*	(17,881)	17,881	-	-	-	-	-	-
Passed through State of Wisconsin Department of Transportation									
Capital Formula Grant									
Other Award Year	20.507*	(49,594)	49,594	81,048	-	81,048	81,048	-	81,048
Capital Formula Grant									
2002 Award Year	20.500*	(109,068)	109,068	-	-	-	-	-	-
2003 Award Year		(93,992)	93,992	10,445	-	10,445	10,445	-	10,445
2004 Award Year		(223,094)	198,598	31,009	-	6,513	6,513	-	6,513
2008 Award Year		-	-	890,357	-	890,357	890,357	-	890,357
2009 Award Year		-	-	292,765	-	292,765	292,765	-	292,765
Total Federal Transit Cluster		(2,604,724)	4,996,669	1,348,582	-	3,740,527	3,740,527	-	3,740,527

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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 12/31/2008		(Deferred) Revenue 12/31/2009					
U.S. DEPARTMENT OF TRANSPORTATION (CONTINUED)									
Congestion Mitigation & Air Quality	20.205	(52,565)	-	52,565	-	-	-	-	-
Surface Transportation Program (STP)-Hazard Elimination	20.600	(144,000)	-	144,000	-	-	-	-	-
Pedestrian Safety	20.600	-	7,000	-	750	7,750	7,000	750	7,750
Alcohol Enforcement	20.600	(2,785)	50,000	7,079	-	54,294	54,294	-	54,294
U.S. ENVIRONMENTAL PROTECTION AGENCY									
Brownsfield Assessment and Cleanup Cooperative	66.818	(57,614)	57,614	-	-	-	-	-	-
Passed through State of Wisconsin									
Department of Natural Resources									
Great Lakes Program - 2008-Beach Survey Grant	66.469	(11,600)	11,600	-	-	-	-	-	-
Beach Monitoring and Notification - 2009-Beach Survey Grant	66.472	-	7,225	-	10,000	17,225	7,225	10,000	17,225
Passed through State of Wisconsin									
Department of Health Services									
Consolidated Radon Program	66.032	-	1,950	-	-	1,950	1,950	-	1,950
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
IDA-Assets for Independence Demonstration Program	93.602	111,782	-	(96,254)	64,208	79,736	15,528	64,208	79,736
ARRA-Strengthening Communities Fund	93.711	-	-	8,238	-	8,238	8,238	-	8,238
Passed through State of Wisconsin									
Department of Health Services									
Public Health Preparedness - Bio Terro-CDC Focus	93.069	-	61,160	-	-	61,160	61,160	-	61,160
Public Health Preparedness - Cities Readiness Initiative	93.069	18,687	46,580	6,619	-	71,886	71,886	-	71,886
Public Health Preparedness - PHER	93.069	-	12,522	13,504	-	26,026	26,026	-	26,026
Childhood Lead Poisoning Prevention - Lead Based Paint	93.197	(2,887)	46,619	44,108	-	87,840	87,840	-	87,840
Childhood Immunization Grant	93.268	6,235	39,131	(13,017)	-	32,349	32,349	-	32,349
Pandemic Flu Immunization Grant	93.268	13,700	-	(11,843)	3,710	5,567	1,857	3,710	5,567
CDC and Prevention - Pandemic Influenza	93.283	10,556	-	-	-	10,556	10,556	-	10,556

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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 12/31/2008		(Deferred) Revenue 12/31/2009					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)									
Medical Assistance Program - Maternal and Child Health Grant	93.778	3,619	4,869	(2,071)	-	6,417	6,417	-	6,417
Maternal and Child Health Services Block Grant	93.994	48,439	65,176	(27,723)	-	85,892	85,892	-	85,892
Preventive Health & Health Services	93.994	7,050	14,029	(5,292)	-	15,787	15,787	-	15,787
Passed through Racine Area United Way									
Block Grant for Prevention & Treatment of Substance Abuse - Home Visitation	93.959	(6,175)	6,175	-	-	-	-	-	-
Promoting Safe and Stable Families - Home Visitation	93.556	(994)	994	-	-	-	-	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY									
Assistance to Firefighters Grant Program	97.044	-	209,120	-	52,280	261,400	209,120	52,280	261,400
Passed through State of Wisconsin Office of Justice									
Homeland Security Grant Program	97.067	(33,394)	-	45,476	-	12,082	12,082	-	12,082
Homeland Security Grant Program	97.067	-	-	48,869	-	48,869	48,869	-	48,869
Homeland Security Grant Program	97.067	-	-	43,565	-	43,565	43,565	-	43,565
TOTAL FEDERAL AWARDS		<u>\$ (3,768,640)</u>	<u>9,969,906</u>	<u>2,497,083</u>	<u>183,798</u>	<u>8,882,147</u>	<u>8,698,349</u>	<u>183,798</u>	<u>8,882,147</u>

* Represents a major federal program.

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

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2009

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2008	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2009	Local Revenue	Total Revenues	Grantor	Local	Total
WISCONSIN DEPARTMENT OF AGRICULTURE									
Prescription Drug Program	115.04	\$ -	-	6,592	3,000	9,592	6,592	3,000	9,592
WISCONSIN DEPARTMENT OF COMMERCE									
Housing Cost Reduction Initiative	143.702	(333)	24,212	-	-	23,879	23,879	-	23,879
WISCONSIN DEPARTMENT OF NATURAL RESOURCES									
Passed through University of Wisconsin-Oshkosh				-					
Beach E-Coli Study	370.419	-	6,044	-	-	6,044	6,044	-	6,044
Recreational Boating Facilities	370.573	(2,500)	2,500	-	-	-	-	-	-
Recreational Boating Facilities	370.573	(38,016)	38,016	-	-	-	-	-	-
Recreational Boating Facilities	370.573	(27,157)	27,157	-	-	-	-	-	-
WISCONSIN DEPARTMENT OF TRANSPORTATION									
Transit Operating Aids	395.104*								
2004 Award Year		-	-	-	-	-	-	-	-
2005 Award Year		(56,602)	-	56,602	-	-	-	-	-
2006 Award Year		(62,609)	-	62,609	-	-	-	-	-
2007 Award Year		(237,262)	-	237,262	-	-	-	-	-
2008 Award Year		(257,535)	-	257,535	-	-	-	-	-
2009 Award Year		-	2,278,735	253,195	-	2,531,930	2,531,930	-	2,531,930
WISCONSIN DEPARTMENT OF HEALTH SERVICES									
Infant Mortality	435.110*	82,093	286,684	87,621	-	456,398	456,398	-	456,398
Consolidated Contract-WWWP CDC	435.157*	77,328	77,469	(73,351)	-	81,446	81,446	-	81,446
Consolidated Contract-Childhood Lead	435.157*	33,154	35,118	(27,085)	-	41,187	41,187	-	41,187
Tobacco Prevention and Control	435.158*	63,705	88,121	(44,358)	75	107,543	107,468	75	107,543
Maternal and Child Health Grant	435.159	3,619	4,869	(2,071)	-	6,417	6,417	-	6,417
Passed through United Way of Racine County									
Home Visitation	435.159	(2,577)	2,577	-	-	-	-	-	-

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2009

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue	Grantor Receipts	Accrued (Deferred) Revenue	Local Revenue	Total Revenues	Grantor	Local	Total
		12/31/2008		12/31/2009					
WISCONSIN DEPARTMENT OF JUSTICE ASSISTANCE									
Youth Gang Diversion Program Grant	505.639	(67,947)	67,947	-	-	-	-	-	-
Youth Gang Diversion Program Grant	505.639	(28,931)	16,336	80,564	-	67,969	67,969	-	67,969
Youth Gang Diversion Program Grant	505.639	-	-	17,780	-	17,780	17,780	-	17,780
Beat Patrol Officers Grant	505.603	-	143,750	-	43,078	186,828	143,750	43,078	186,828
TOTAL STATE AWARDS		<u>\$ (521,570)</u>	<u>\$ 3,099,535</u>	<u>\$ 912,895</u>	<u>\$ 46,153</u>	<u>\$ 3,537,013</u>	<u>\$ 3,490,860</u>	<u>\$ 46,153</u>	<u>\$ 3,537,013</u>

* Represents a major state program.

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

CITY OF RACINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended December 31, 2009

NOTE 1 – REPORTING ENTITY

The report on 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 CLUSTERS

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

<u>Federal Program</u>	<u>Expenditures</u>
20.500 Federal Transit - Capital Investment	\$ 1,200,080
20.507 Federal Transit - Formula Grants	<u>2,540,447</u>
Total Federal Transit Cluster	<u>\$ 3,740,527</u>
14.218 CDBG Entitlement Grants	\$ 2,001,750
14.218 Neighborhood Stabilization Program	310,606
14.253 CDBG ARRA Entitlement Grants	<u>332,159</u>
Total Community Development Block Grants Cluster	<u>\$ 2,644,515</u>

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

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(s) identified?	_____ 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(s) identified?	_____ 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)?	<u> X </u> yes	_____ no	

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

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

<u>CFDA NUMBER(S)</u>	<u>Name of Federal Program or Cluster</u>
14.218 & 14.253	Community Development Block Grant Cluster
14.239	HOME Investment in Affordable Housing
20.500 & 20.507	Federal Transit Cluster

Identification of major state programs

<u>STATE ID NUMBER(S)</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids
435.110	Infant Mortality
435.157	Childhood Lead and Well Woman-WWWP
435.158	Tobacco Prevention and Control

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2009

SECTION II: FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with Auditing Standards Generally Accepted in the United States of America.

SECTION III: FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS

Finding 09- 01: Consolidated Annual Performance and Evaluation Report (CAPER)

CFDA # and Program Name

14.218 and 14.253 Community Development Block Grant Cluster

Criteria

Federal Regulation 24CFR 91.520 requires the City to submit its CAPER to the U.S. Department of Housing and Urban Development within 90 days of the program year end or April 1, 2010. The Regulations do not provide for exceptions to this requirement and therefore, the City cannot be granted a filing extension.

Condition/Context

The City of Racine did not submit the annual CAPER by the required due date of April 1, 2010.

Questioned Cost

None

Effect

Although the City could lose CDBG grant funding for noncompliance of the required reporting, neither 2009 nor 2010 funding is currently at risk.

Cause

In 2009, the City received ARRA funding which required increased administrative requirements causing a delay in year-end reporting procedures.

Recommendation

We recommend the City implement procedures to ensure that CAPER is filed timely.

Management's Response

The City's department of city development has contacted HUD directly to implement procedures that can be implemented during the year to expedite the report preparation at the end of the year. In addition, a finance department liaison has been assigned to the department of City development to monitor all HUD processes including the development of the CAPER.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2009

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

Finding 09- 02: Disadvantaged Business Enterprise (DBE) Reporting

CFDA # and Program Name

20.500 and 20.507 Federal Transit Cluster

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).

Condition/Context

Racine Transit did not submit semi-annual reports as required for the Disadvantaged Business Enterprise program in 2009.

Questioned Cost

None

Effect

Although Racine Transit could lose FTA grant funding for noncompliance of the required reporting, neither 2009 nor 2010 funding is currently at risk.

Cause

In May 2008, the Transit Manager left Racine Transit. In 2009, the City implemented a DBE program, however, submission of reports was overlooked.

Recommendation

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

Management's Response

The City is aware of the reporting requirements associated with the DBE program for the Racine Transit. The Transit planner has been assigned the task of filing all required DBE reports in a timely fashion. All required DBE reports for 2010 have been filed as required by the FTA.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section IV: Other Issues

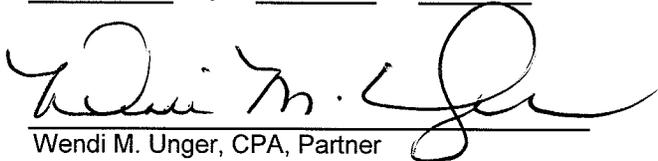
1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no _____ N/A

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 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 Agriculture	_____	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


Wendi M. Unger, CPA, Partner

5. Date of report

September 22, 2010

CITY OF RACINE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2009

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.

Current Status

This finding has not been resolved and is reported as Finding 09-02 in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009.

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 FSR 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.

Current Status

This finding has been resolved. The City has submitted the required FSR report for 2008 and 2009.