

**CITY OF RACINE**  
Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2012

# CITY OF RACINE

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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated July 25, 2013. Our report includes a reference to other auditors who audited the financial statements 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 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 of the financial statements, we considered the City of Racine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Racine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Racine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Mayor and Common Council  
City of Racine

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Racine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Milwaukee, Wisconsin  
July 25, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

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

***Report on Compliance for Each Major Federal and Major State Program***

We have audited the City of Racine, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Racine's major federal and major state programs for the year ended December 31, 2012. The City of Racine's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Racine's major federal and major state programs based on our audit of the types of compliance requirements referred to above. 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.

To the Mayor and Common Council  
City of Racine

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the City of Racine's compliance.

***Opinion on Each Major Federal and Major State Program***

In our opinion, the City of Racine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2012.

***Report on Internal Control Over Compliance***

Management of the City of Racine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Racine's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program 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 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Mayor and Common Council  
City of Racine

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines and Schedule of Settlement of DHS Cost Reimbursement Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements. We issued our report thereon dated July 25, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements 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 accompanying schedules of expenditures of federal and state awards and schedule of settlement of DHS cost reimbursement awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards and schedule of settlement of DHS cost reimbursement awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



Milwaukee, Wisconsin  
September 13, 2013, except for our report on the Schedules of Expenditures  
Of Federal and State Awards and Schedule of Settlement of DHS Cost  
Reimbursement Awards, for which the date is July 25, 2013

**Schedule of Expenditures of  
Federal Awards Follows**

**CITY OF RACINE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012

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 12/31/2011		(Deferred) Revenue 12/31/2012					
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
Passed through State of Wisconsin Department									
Health Services									
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)									
10.557	\$ (7,747)	194,040	(75,292)	-	111,001	111,001	-	111,001	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>									
Community Development Block Grants/Entitlement Grants									
14.218*									
2007 Award	(1,312)	28,713	-	-	27,401	27,401	-	27,401	
2008 Award	(32,688)	32,688	-	-	-	-	-	-	
2009 Award	(11,459)	66,385	-	-	54,926	54,926	-	54,926	
2010 Award	(79,310)	175,078	1,158	-	96,926	96,926	-	96,926	
2011 Award	(249,950)	729,911	37,278	-	517,239	517,239	-	517,239	
2012 Award	-	711,033	249,278	31,077	991,388	960,311	31,077	991,388	
Passed through State of Wisconsin									
Department of Administration									
Neighborhood Stabilization Program									
14.218*	(115,837)	925,925	328,512	164,266	1,302,866	1,138,600	164,266	1,302,866	
Total Community Development Block Grant Cluster									
	(490,556)	2,669,733	616,226	195,343	2,990,746	2,795,403	195,343	2,990,746	
HOME Investment Partnership Program	(7,462)	454,760	33,707	35,151	516,156	481,005	35,151	516,156	
Emergency Solutions Grants Program									
14.231									
2010 Award	-	2,272	-	-	2,272	2,272	-	2,272	
2011 Award	(33,256)	99,004	13,142	-	78,890	78,890	-	78,890	
2012 Award	-	31,833	46,554	-	78,387	78,387	-	78,387	
Passed through the City of Racine Redevelopment Authority									
HUD Economic Development Initiative									
14.251	(315,811)	345,696	-	-	29,885	29,885	-	29,885	
ARRA - Homeless Assistance Prevention and Rapid Re-Housing Program (HPRP)									
14.257	(11,884)	106,245	-	-	94,361	94,361	-	94,361	

**CITY OF RACINE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012

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 12/31/2011		(Deferred) Revenue 12/31/2012					
<b>U.S. DEPARTMENT OF JUSTICE</b>									
Passed through State of Wisconsin Department of Administration									
Office of Justice Assistance									
Project Safe Neighborhood	16.744	\$ -	-	24,998	-	24,998	24,998	-	24,998
ARRA - Public Safety Partnership and Community Policing Grants	16.710	(74,034)	289,016	73,532	-	288,514	288,514	-	288,514
ARRA - Public Safety Partnership and Community Policing Grants	16.710	(98,598)	98,598	-	-	-	-	-	-
2009 Edward Byrne Memorial Justice Assistance Grant	16.738	1,996	-	-	-	1,996	1,996	-	1,996
2011 Edward Byrne Memorial Justice Assistance Grant	16.738	-	34,999	-	-	34,999	34,999	-	34,999
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant	16.804	(50,857)	72,551	39,855	-	61,549	61,549	-	61,549
Total JAG Program Cluster		(48,861)	107,550	39,855	-	98,544	98,544	-	98,544
Second Chance Act Prisoner Reentry Initiative-Planning	16.812	(5,603)	49,108	866	-	44,371	44,371	-	44,371
Second Chance Act Prisoner Reentry Initiative-Demonstration	16.812	-	-	1,078	-	1,078	1,078	-	1,078
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>									
Urban Mass Transportation Administration									
Federal Transit - Formula Grant	20.507*	-	2,538,263	-	-	2,538,263	2,538,263	-	2,538,263
ARRA - Federal Transit - Formula Grant	20.507*	(69,001)	89,044	1,715	-	21,758	21,758	-	21,758
Federal Transit - Capital Investment Grant-2009 Award Year	20.500*	(17,000)	607,000	-	-	590,000	590,000	-	590,000
Federal Transit - Capital Investment Grant-2010 Award Year	20.500*	-	310,000	-	-	310,000	310,000	-	310,000
Federal Transit - Capital Investment Grant-2011 Award Year	20.500*	-	-	168,397	-	168,397	168,397	-	168,397
Passed through State of Wisconsin									
Department of Transportation									
Federal Transit - Capital Investment Grant	20.500*								
2004 Award Year		(9,108)	9,108	-	-	-	-	-	-
2005 Award Year		(2,812)	2,812	-	-	-	-	-	-
2008 Award Year		58,308	-	-	-	58,308	58,308	-	58,308
Total Federal Transit Cluster		(39,613)	3,556,227	170,112	-	3,686,726	3,686,726	-	3,686,726
Congestion Mitigation & Air Quality	20.205*	(44,208)	121,779	29,341	40,903	147,815	106,912	40,903	147,815
Congestion Mitigation & Air Quality	20.205*	-	-	123,006	30,781	153,787	123,006	30,781	153,787
Congestion Mitigation & Air Quality	20.205*	(23,094)	23,094	-	-	-	-	-	-
Congestion Mitigation & Air Quality	20.205*	(38,950)	38,244	15,286	-	14,580	14,580	-	14,580
Congestion Mitigation & Air Quality	20.205*	(26,732)	29,220	70,191	-	72,679	72,679	-	72,679
Driver's License Program Improvement Grant	20.232	(15,810)	15,810	-	-	-	-	-	-

**CITY OF RACINE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012

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 12/31/2011		(Deferred) Revenue 12/31/2012					
<b>U.S. DEPARTMENT OF TRANSPORTATION (CONTINUED)</b>									
Passed through State of Wisconsin									
Department of Transportation									
Highway Safety Cluster									
Surface Transportation Program (STP)-Hazard Elimination	20.600	\$ (144,000)	144,000	-	-	-	-	-	-
Seat Belt Enforcement Grant	20.600	(3,224)	45,000	5,514	-	47,290	47,290	-	47,290
Pedestrian Safety	20.600	-	6,048	-	-	6,048	6,048	-	6,048
Speedwave	20.600	-	-	3,176	-	3,176	3,176	-	3,176
Alcohol Enforcement	20.600	-	-	5,703	-	5,703	5,703	-	5,703
Alcohol Enforcement	20.600	(7,287)	69,989	-	-	62,702	62,702	-	62,702
Enforcement Zone (EZ) Grant	20.609	-	18,629	-	-	18,629	18,629	-	18,629
Total Highway Safety Cluster		(154,511)	265,037	14,393	-	124,919	124,919	-	124,919
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>									
Brownfields Cleanup Revolving Loan Fund	66.818	(1,050)	-	1,050	-	-	-	-	-
Passed through State of Wisconsin									
Department of Natural Resources									
Beach Survey Grant	66.472	-	8,410	-	-	8,410	8,410	-	8,410
Passed through University of Wisconsin-Oshkosh									
Great Lakes Restoration Initiative	66.469	(13,254)	111,001	24,140	-	121,887	121,887	-	121,887
Passed through State of Wisconsin									
Department of Health Services									
Consolidated Radon Program	66.032	84	2,500	-	-	2,584	2,584	-	2,584
<b>U.S. DEPARTMENT OF ENERGY</b>									
ARRA - Energy Efficiency and Conservation Block Grant	81.128	(8,168)	-	31,451	8,209	31,492	23,283	8,209	31,492
<b>U.S. DEPARTMENT OF EDUCATION</b>									
Fund for Improvement of Education	84.215	(18,968)	45,353	-	23,448	49,833	26,385	23,448	49,833
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
IDA-Assets for Independence Program	93.602	68,275	(63,275)	-	-	5,000	5,000	-	5,000
IDA-Assets for Independence Program	93.602	28,750	-	(28,000)	-	750	750	-	750
Passed through State of Wisconsin									
Department of Health Services									
Bio Terro-CDC Focus	93.069	(1,249)	48,742	24,934	-	72,427	72,427	-	72,427
Cities Readiness Initiative	93.069	(2,933)	17,509	21,690	-	36,266	36,266	-	36,266

**CITY OF RACINE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			
		(Accrued) Deferred Revenue 12/31/2011	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2012	Local Revenue	Total Revenues	Grantor	Local	Total
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>									
Passed through State of Wisconsin									
Department of Health Services (cont)									
Immunization Cluster									
Immunization Grant	93.268	\$ 3,066	36,138	-	-	39,204	39,204	-	39,204
ARRA-Immunization Grant	93.712	1,677	(1,677)	-	-	-	-	-	-
Total Immunization Cluster		<u>4,743</u>	<u>34,461</u>	<u>-</u>	<u>-</u>	<u>39,204</u>	<u>39,204</u>	<u>-</u>	<u>39,204</u>
Maternal and Child Health Grant	93.778	1,601	835	463	-	2,899	2,899	-	2,899
Partner Referral (HIV) Services	93.940	(6,320)	15,163	4,157	-	13,000	13,000	-	13,000
Maternal and Child Health Grant	93.994	21,435	11,170	6,199	-	38,804	38,804	-	38,804
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>									
Passed through State of Wisconsin Department of Military Affairs									
Assistance to Firefighters Grant Program	97.044	(143,920)	143,920	-	-	-	-	-	-
Passed through the City of Milwaukee									
Port Security Grant Program	97.056	(95,742)	92,035	-	-	(3,707)	(3,707)	-	(3,707)
Port Security Grant Program	97.056	(13,819)	-	22,859	-	9,040	9,040	-	9,040
Passed through State of Wisconsin Office of Justice									
Homeland Security Grant Program	97.067	(44,207)	44,207	-	-	-	-	-	-
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ (1,661,472)</u>	<u>\$ 9,027,926</u>	<u>\$ 1,305,938</u>	<u>\$ 333,835</u>	<u>\$ 9,006,227</u>	<u>\$ 8,672,392</u>	<u>\$ 333,835</u>	<u>\$ 9,006,227</u>

\* 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  
For the Year Ended December 31, 2012

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2011	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2012	Local Revenue	Total Revenues	Grantor	Local	Total
<b>WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE, AND CONSUMER PROTECTION</b>									
Prescription Dug Program	115.04	\$ (7,500)	7,500	7,300	-	7,300	7,300	-	7,300
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>									
Urban Non-Point Source Grant	USP-SE03-51276-12B	-	13,673	132,506	-	146,179	146,179	-	146,179
Urban Non-Point Source Grant	USP-SE03-51276-12A	-	-	21,392	-	21,392	21,392	-	21,392
Urban Non-Point Source Grant	USP-SE03-51276-11	-	-	14,554	-	14,554	14,554	-	14,554
Invasive Species Grant	AIRR-087-10	(571)	571	-	-	-	-	-	-
Urban Forestry Grant	UF-1091-12	-	-	25,000	45,000	70,000	25,000	45,000	70,000
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>									
Transit Operating Aids	395.104*								
2005 Award Year		(56,602)	-	56,602	-	-	-	-	-
2006 Award Year		(62,609)	-	62,609	-	-	-	-	-
2007 Award Year		(61,938)	-	61,938	-	-	-	-	-
2008 Award Year		(64,292)	-	64,292	-	-	-	-	-
2009 Award Year		(149,698)	-	149,698	-	-	-	-	-
2010 Award Year		(197,406)	-	197,376	-	(30)	(30)	-	(30)
2011 Award Year		(105,373)	-	105,373	-	-	-	-	-
2012 Award Year		-	1,908,900	212,101	-	2,121,001	2,121,001	-	2,121,001
2012 Award Year -Chapter 85.205		-	63,349	-	-	63,349	63,349	-	63,349
<b>WISCONSIN DEPARTMENT OF HEALTH SERVICES</b>									
Infant Mortality	435.110	-	55,675	26,330	-	82,005	82,005	-	82,005
Consolidated Contract-WWWP CDC	435.157*	24,856	26,275	27,426	2,284	80,841	78,557	2,284	80,841
Consolidated Contract-Childhood Lead	435.157*	8,312	21,016	4,002	-	33,330	33,330	-	33,330
Maternal and Child Health Grant	435.159	1,601	835	463	-	2,899	2,899	-	2,899
Passed through Kenosha County Tobacco Prevention and Control	435.157*	6,416	-	(2,414)	-	4,002	4,002	-	4,002
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>									
Passed through the City of Kenosha Coastal Management Program	AD-119502	-	10,015	18,068	-	28,083	28,083	-	28,083
Youth Gang Diversion Program Grant	505.639								
2011 Award Year		(27,703)	40,723	17,686	-	30,706	30,706	-	30,706
2012 Award Year		-	-	19,576	-	19,576	19,576	-	19,576
Uniform Beat Patrol Officers Grant	505.603	-	121,434	-	49,241	170,675	121,434	49,241	170,675
<b>TOTAL STATE AWARDS</b>		<b>\$ (692,507)</b>	<b>\$ 2,269,966</b>	<b>\$ 1,221,878</b>	<b>\$ 96,525</b>	<b>\$ 2,895,862</b>	<b>\$ 2,799,337</b>	<b>\$ 96,525</b>	<b>\$ 2,895,862</b>

\* Represents a major state program.  
See accompanying notes to Schedules 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, 2012

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Racine under programs of the federal and state government for the year ended December 31, 2012. The information in these schedules is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the City of Racine it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Racine.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying 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.

### NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the schedules of expenditures of federal and state awards, the City provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Project Safe Neighborhood	16.744	\$ 24,998
Second Chance Act Prisoner Tentry Initiative	16.812	45,449
ARRA -Homeless Prevention and Rapid Re-Housing Program (HPRP)	14.257	94,361
Community Development Block Grant Program	14.218	454,416
HOME Investment Partnership Program	14.239	83,698
Emergency Solutions Grants Program	14.231	150,721
		<u>\$ 853,643</u>

**CITY OF RACINE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2012

*Financial Statements*

Type of auditor's report issued	Unmodified	
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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u>    X    </u> no
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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	_____ yes	<u>    X    </u> no
State programs	<u>    X    </u> yes	_____ no

Identification of major federal programs

**CFDA NUMBER(S)**

14.218 / 14.253 / 14.254  
14.239  
20.500 / 20.507  
20.205

**Name of Federal Program or Cluster**

Community Development Block Grant Cluster  
Home Investment Partnership Program  
Federal Transit Cluster - ARRA  
Congestion Mitigation & Air Quality

Identification of major state programs

**STATE ID NUMBER(S)**

395.104  
435.157

**Name of State Program**

Transit Operating Aids  
Consolidated Contract - WWWP & Childhood Lead

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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### **SECTION II: FINANCIAL STATEMENT FINDINGS**

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

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### **SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS**

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There were no findings required to be reported in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*.

CITY OF RACINE

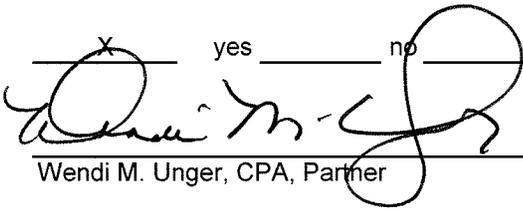
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2012

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  X  no \_\_\_\_\_ N/A  
Department of Transportation \_\_\_\_\_ yes  X  no \_\_\_\_\_ N/A  
Department of Natural Resources \_\_\_\_\_ yes  X  no \_\_\_\_\_ N/A  
Department of Administration \_\_\_\_\_ yes  X  no \_\_\_\_\_ N/A  
Department of Agriculture, Trade & Consumer Protection \_\_\_\_\_ 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  
  
\_\_\_\_\_  
Wendi M. Unger, CPA, Partner

5. Date of report \_\_\_\_\_  
September 13, 2013

City of Racine  
 Schedule of Settlement of DHS Cost Reimbursement Awards  
 For the Year Ended December 31, 2012

Agency 341113 Type 260 DHS Identification Number CARS Profile #	150327	154710	154720	154760	155015	155020	155190	155957	157000	157720	159320	Total
Award amount	\$ 2,500	\$ 188,236	\$ 1,355	\$ 13,636	\$ 64,992	\$ 36,138	\$ 23,344	\$ 13,000	\$ 81,342	\$ 25,018	\$ 20,000	\$ 469,561
Award period	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	08/01/11-07/31/12	01/01/12-12/31/12	08/01/11-7/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	
Period of award within audit period	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-07/31/12	01/01/12-12/31/12	01/01/12-07/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	01/01/12-12/31/12	
<b>A Expenditures reported to DHS for payment</b>	\$ 2,500	\$ 96,008	\$ 1,355	\$ 13,636	\$ 47,494	\$ 36,138	\$ 14,575	\$ 13,000	\$ 53,763	\$ 25,018	\$ 19,964	\$ 323,451
<b>B Actual Allowable cost of award Program Expenses</b>												
2 Supplies, etc	\$ 2,500	\$ 13,768	\$ 1,355		\$ 47,494		\$ 14,575		\$ 25,232	\$ 7,520	\$ 1,571	\$ 114,015
7 Employee salaries & wages		63,601		12,928		28,283		12,233	27,077	16,558	9,687	170,367
8 Employee Pension plan contributions		5,345		708		1,717		767	1,454	940	593	11,524
9 Employee Hlth,Disability,Life Ins benefits		13,294				6,138					8,113	27,545
Total Program Expenses	\$ 2,500	\$ 96,008	\$ 1,355	\$ 13,636	\$ 47,494	\$ 36,138	\$ 14,575	\$ 13,000	\$ 53,763	\$ 25,018	\$ 19,964	\$ 323,451
<b>C Less program revenue &amp; other offsets to costs (identify in notes)</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>F Total allowable costs</b>	\$ 2,500	\$ 96,008	\$ 1,355	\$ 13,636	\$ 47,494	\$ 36,138	\$ 14,575	\$ 13,000	\$ 53,763	\$ 25,018	\$ 19,964	\$ 323,451

Agency 341113 Type 360 DHS Identification Number CARS Profile #	110190	155015	155190									Total
Award amount	\$ 445,400	\$ 68,166	\$ 26,748									\$ 540,314
Award period	07/01/11-06/30/13	08/01/12-06/30/13	08/01/12-06/30/12									
Period of award within audit period	01/01/12-12/31/12	08/01/12-12/31/12	08/01/12-12/31/12									
<b>A Expenditures reported to DHS for payment</b>	\$ 82,005	\$ 24,934	\$ 21,691									\$ 128,630
<b>B Actual Allowable cost of award Program Expenses</b>												
2 Supplies, etc	\$ 82,005	\$ 24,934	\$ 21,691									\$ 128,630
7 Employee salaries & wages												-
8 Employee Pension plan contributions												-
9 Employee Hlth,Disability,Life Ins benefits												-
Total Program Expenses	\$ 82,005	\$ 24,934	\$ 21,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,630
<b>C Less program revenue &amp; other offsets to costs (identify in notes)</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>F Total allowable costs</b>	\$ 82,005	\$ 24,934	\$ 21,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,630