

CITY OF RACINE
Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2013

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, 2013, 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 16, 2014. 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

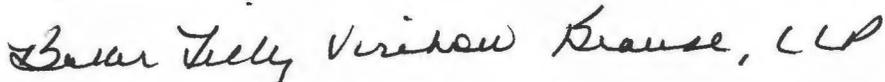
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Brian Kelly Verchow Krause, CPA". The signature is written in a cursive style.

Milwaukee, Wisconsin
July 16, 2014

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, 2013. 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-001, 2013-002 and 2013-003. Our opinion on each major federal and major state program is not modified with respect to these matters.

City of Racine's Response

The City of Racine's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Racine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

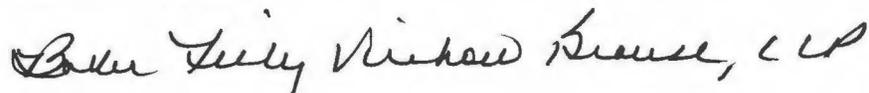
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2013, 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 16, 2014, 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 schedule 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 expenditure 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 3, 2014, except for our report on the schedule of expenditures of federal and state awards and the schedule of settlement of DHS cost reimbursement awards, for which the date is July 16, 2014.

**Schedule of Expenditures of
Federal Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			
		(Accrued) Deferred Revenue 12/31/2012	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2013	Local Revenue	Total Revenues	Grantor	Local	Total
U.S. DEPARTMENT OF AGRICULTURE									
Passed through State of Wisconsin Department Health Services Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	\$ 75,292	(75,292)	-	-	-	-	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Community Development Block Grants/Entitlement Grants	14.218								
2013 Award		-	350,790	177,335	130,721	658,846	528,125	130,721	658,846
2010 Award		(1,158)	86,638	18,226	-	103,706	103,706	-	103,706
2011 Award		(37,278)	222,130	-	-	184,852	184,852	-	184,852
2012 Award		(249,278)	834,596	19,866	26,756	631,940	605,184	26,756	631,940
Passed through State of Wisconsin Department of Administration									
Neighborhood Stabilization Program	14.218	(161,276)	123,086	143,077	378,532	483,419	104,887	378,532	483,419
Neighborhood Stabilization Program	14.218	(167,236)	470,904	114,467	-	418,135	418,135	-	418,135
Total Community Development Block Grant Cluster		(616,226)	2,088,144	472,971	536,009	2,480,898	1,944,889	536,009	2,480,898
HOME Investment Partnership Program	14.239	(33,707)	486,601	142,578	53,074	648,546	595,472	53,074	648,546
Emergency Solutions Grants Program									
2013 Award	14.231	-	-	72,380	-	72,380	72,380	-	72,380
2011 Award	14.231	(13,142)	15,067	-	-	1,925	1,925	-	1,925
2012 Award	14.231	(46,554)	112,733	6,661	-	72,840	72,840	-	72,840
U.S. DEPARTMENT OF JUSTICE									
Passed through State of Wisconsin Department of Administration Office of Justice Assistance									
Project Safe Neighborhood	16.744	(24,998)	24,998	-	-	-	-	-	-
ARRA - Public Safety Partnership and Community Policing Grants	16.710	(73,532)	96,678	-	277,095	300,241	23,146	277,095	300,241
2012 Edward Byrne Memorial Justice Assistance Grant	16.738*	-	27,789	28,429	-	56,218	56,218	-	56,218
2011 Edward Byrne Memorial Justice Assistance Grant	16.738*	-	37,810	-	-	37,810	37,810	-	37,810
ARRA - 2009 Edward Byrne Memorial Justice Assistance Grant	16.804*	(39,855)	91,031	-	-	51,176	51,176	-	51,176
Total JAG Program Cluster		(39,855)	156,630	28,429	-	145,204	145,204	-	145,204
Second Chance Act Prisoner Reentry Initiative-Planning	16.812	(866)	866	-	-	-	-	-	-
Second Chance Act Prisoner Reentry Initiative-Demonstration	16.812	(1,078)	100,415	13,877	-	113,214	113,214	-	113,214

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			
		(Accrued) Deferred Revenue 12/31/2012	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2013	Local Revenue	Total Revenues	Grantor	Local	Total
U.S. DEPARTMENT OF TRANSPORTATION									
Urban Mass Transportation Administration									
Federal Transit - Formula Grant	20.507*	\$ -	2,702,910	-	-	2,702,910	2,702,910	-	2,702,910
ARRA Federal Transit - Formula Grant	20.507*	(1,715)	1,715	-	-	-	-	-	-
Federal Transit - State of Good Repair Grant	20.500*	-	4,692,845	-	1,173,211	5,866,056	4,692,845	1,173,211	5,866,056
Federal Transit - Capital Investment Grant-2011 Award Year	20.500*	(168,397)	171,416	8,584	3,461	15,064	11,603	3,461	15,064
Total Federal Transit Cluster		<u>(170,112)</u>	<u>7,568,886</u>	<u>8,584</u>	<u>1,176,672</u>	<u>8,584,030</u>	<u>7,407,358</u>	<u>1,176,672</u>	<u>8,584,030</u>
Passed through State of Wisconsin									
Department of Transportation									
Congestion Mitigation & Air Quality	20.205	(29,341)	123,703	13,250	55,299	162,911	107,612	55,299	162,911
Congestion Mitigation & Air Quality	20.205	(123,006)	128,860	19,940	-	25,794	25,794	-	25,794
Congestion Mitigation & Air Quality	20.205	(15,286)	182,098	256,362	-	423,174	423,174	-	423,174
Congestion Mitigation & Air Quality	20.205	(70,191)	266,420	142,697	-	338,926	338,926	-	338,926
Passed through State of Wisconsin									
Department of Transportation									
Highway Safety Cluster									
Seat Belt Enforcement Grant	20.600	(5,514)	21,618	-	-	16,104	16,104	-	16,104
Pedestrian Safety	20.600	-	6,000	-	-	6,000	6,000	-	6,000
Speedwave	20.600	(3,176)	16,164	-	-	12,988	12,988	-	12,988
Alcohol Enforcement	20.600	(5,703)	36,103	4,294	-	34,694	34,694	-	34,694
Total Highway Safety Cluster		<u>(14,393)</u>	<u>79,885</u>	<u>4,294</u>	<u>-</u>	<u>69,786</u>	<u>69,786</u>	<u>-</u>	<u>69,786</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY									
Brownfields Cleanup Revolving Loan Fund	66.818	(1,050)	2,964	1,613	-	3,527	3,527	-	3,527
Brownfields Cleanup Revolving Loan Fund	66.818	-	-	17,553	-	17,553	17,553	-	17,553
Passed through University of Wisconsin-Oshkosh									
Great Lakes Restoration Initiative	66.469	(24,140)	115,272	78,508	-	169,640	169,640	-	169,640
Passed through the State of Wisconsin									
Department of Natural Resources									
Beach Monitoring	66.472	-	7,955	-	-	7,955	7,955	-	7,955
U.S. DEPARTMENT OF ENERGY									
ARRA - Energy Efficiency and Conservation Block Grant	81.128	(31,451)	79,011	31,877	20,040	99,477	79,437	20,040	99,477
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
IDA-Assets for Independence Program	93.602	28,000	-	(22,000)	-	6,000	6,000	-	6,000
Passed through State of Wisconsin									
Department of Health Services									
Bio Terro-CDC Focus	93.069	(24,934)	86,484	(3,168)	-	58,382	58,382	-	58,382
Cities Readiness Initiative	93.069	(21,690)	34,285	4,007	-	16,602	16,602	-	16,602

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures			
		(Accrued) Deferred Revenue 12/31/2012	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2013	Local Revenue	Total Revenues	Grantor	Local	Total
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)									
Passed through State of Wisconsin									
Department of Health Services (cont)									
Immunization Cluster									
Immunization Grant	93.268	\$ -	9,035	27,103	-	36,138	36,138	-	36,138
Total Immunization Cluster		-	9,035	27,103	-	36,138	36,138	-	36,138
Maternal and Child Health Grant	93.778	(463)	869	1,219	-	1,625	1,625	-	1,625
Partner Referral (HIV) Services	93.940	(4,157)	7,407	9,750	-	13,000	13,000	-	13,000
Preventive Health & Health Services	93.991	-	6,956	-	-	6,956	6,956	-	6,956
Maternal and Child Health Grant	93.994	(6,199)	11,638	16,313	-	21,752	21,752	-	21,752
U.S. DEPARTMENT OF HOMELAND SECURITY									
Passed through the City of Milwaukee									
Port Security Grant Program	97.056	(22,859)	25,484	-	-	2,625	2,625	-	2,625
TOTAL FEDERAL AWARDS		<u>\$(1,305,938)</u>	<u>11,744,052</u>	<u>1,344,798</u>	<u>2,118,189</u>	<u>13,901,101</u>	<u>11,782,912</u>	<u>2,118,189</u>	<u>13,901,101</u>

* Represents a major federal program.

**Schedule of Expenditures of
State Awards Follows**

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2013

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2012	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2013	Local Revenue	Total Revenues	Grantor	Local	Total
WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE, AND CONSUMER PROTECTION									
Prescription Dug Program	115.040	\$ (7,300)	7,300	6,000	-	6,000	6,000	-	6,000
WISCONSIN DEPARTMENT OF NATURAL RESOURCES									
Urban Non-Point Source Grant	USP-SE03-51276-11*	(132,506)	132,506	-	-	-	-	-	-
Urban Non-Point Source Grant	USP-SE03-51276-12A*	(21,392)	23,462	8,036	4,332	14,438	10,106	4,332	14,438
Urban Non-Point Source Grant	USC-SE03-51276-12*	(2,261)	-	88,503	86,242	172,484	86,242	86,242	172,484
Urban Non-Point Source Grant	USP-SE03-51276-12B*	(14,554)	14,985	50,257	28,516	79,204	50,688	28,516	79,204
Urban Forestry Grant	UF-1135-13	-	-	25,000	45,000	70,000	25,000	45,000	70,000
Urban Forestry Grant	UF-1091-12	(25,000)	25,000	-	-	-	-	-	-
WISCONSIN DEPARTMENT OF TRANSPORTATION									
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)	-	139,061	-	(10,637)	(10,637)	-	(10,637)
2010 Award Year		(197,376)	-	214,484	-	17,108	17,108	-	17,108
2011 Award Year		(105,373)	-	276,385	-	171,012	171,012	-	171,012
2012 Award Year		(212,101)	-	212,101	-	-	-	-	-
2013 Award Year		-	1,851,933	205,771	-	2,057,704	2,057,704	-	2,057,704
2013 Award Year -Chapter 85.205		-	63,553	-	-	63,553	63,553	-	63,553
Passed Through Racine County									
2013 Award Year -Chapter 85.205		-	-	111,000	-	111,000	111,000	-	111,000
WISCONSIN DEPARTMENT OF HEALTH SERVICES									
Infant Mortality	435.110*	(26,330)	395,580	33,092	-	402,342	402,342	-	402,342
Consolidated Contract-WWWP CDC	435.157	(27,426)	99,813	8,955	-	81,342	81,342	-	81,342
Consolidated Contract-Childhood Lead	435.157	(4,002)	21,355	7,504	357	25,214	24,857	357	25,214
Maternal and Child Health Grant	435.159	(463)	869	1,219	-	1,625	1,625	-	1,625
Passed through Kenosha County									
Tobacco Prevention and Control	435.157	2,414	-	-	-	2,414	2,414	-	2,414
WISCONSIN DEPARTMENT OF ADMINISTRATION									
Passed through the City of Kenosha									
Coastal Management Program	AD-119502	(18,068)	19,177	-	-	1,109	1,109	-	1,109
Youth Gang Diversion Program Grant									
2011 Award Year	505.639*	(17,686)	17,686	-	-	-	-	-	-
2012 Award Year	505.639*	(19,576)	88,981	-	-	69,405	69,405	-	69,405
2013 Award Year	505.639*	-	-	46,541	-	46,541	46,541	-	46,541
Uniform Beat Patrol Officers Grant	505.603*	-	121,434	-	68,314	189,748	121,434	68,314	189,748
TOTAL STATE AWARDS		\$ (1,224,139)	2,883,634	1,679,350	232,761	3,571,606	3,338,845	232,761	3,571,606

* Represents a major state program.

CITY OF RACINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule 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, 2013. 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 schedule presents 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 position or cash flows of the City of Racine.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule 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 schedule 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 schedule of expenditures of federal and state awards, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
2012 Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 68,363
Second Chance Act Prisoner Tentry Initiative	16.812	113,214
Community Development Block Grant Program	14.253	429,798
HOME Investment Partnership Program	14.239	191,010
Emergency Solutions Grants Program	14.231	137,790
		<u>\$ 940,175</u>

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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(ies) 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(ies) identified?	_____ yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> yes	_____ no
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Dollar threshold used to distinguish between Type A and Type B programs:	
Federal programs	<u> \$ 353,487 </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)

16.738 / 16.804
20.500 / 20.507

Name of Federal Program or Cluster

ARRA - JAG Program Cluster
Federal Transit Cluster

Identification of major state programs

STATE ID NUMBER(S)

370.104
395.104
435.110
505.603
505.639

Name of State Program

Urban Non-Point Source Grant
Transit Operating Aids
Infant Mortality
Uniform Beat Patrol Officers Grant
Youth Gang Diversion Program Grant

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION II: FINANCIAL STATEMENT FINDINGS REQUIRED TO REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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

2013-001 *Programs:* 20.500 / 20.507 Federal Transit Cluster

Condition: The City did not properly review whether or not a vendor was suspended or debarred for 13 vendors.

Criteria: According to A-133 federal single audit requirements all vendors should be reviewed to verify that they are not suspended or debarred.

Effect: Inadequate review on suspended or debarred vendors may result in federal funds being expended to unallowed vendors.

Questioned Costs: Unknown

Context: Population: Greater than 250 Sample size: 40

Recommendation: We recommend that the City properly verify that the vendor is not suspended or debarred per the SAMS website prior to making payment.

Management's Response: Management agrees with this finding. The City will implement a process to look at all vendors before items are purchased to make sure they are not on the suspended or debarred listing.

2013-002 *Programs:* 20.500 / 20.507 Federal Transit Cluster

Condition: The City did not submit quarterly reports timely for two of the quarterly reports tested.

Criteria: According to A-133 federal single audit requirements all reports should be submitted timely.

Effect: Reports not submitted timely could cause expenses to be overstated.

Questioned Costs: Unknown

Context: Population: 12 (four quarters for three grants) Sample size: 3

Recommendation: We recommend that the City file all reports by their respective due date.

Management's Response: Management agrees with this finding. The City will put processes in place that will allow all reports to be submitted timely.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

2013-003 *Programs:* 435.110 Infant Mortality

Condition: The City did not properly review one CARS report prior to its submission.

Criteria: According to the state single audit requirements all CARS reports need to be reviewed before being submitted.

Effect: Inadequate review of the CARS reports could lead to an improper amount of expenses claimed on the report.

Questioned Costs: Unknown

Context: Population: 6 Sample size: 3

Recommendation: We recommend that the City properly approve the CARS report prior to being submitted.

Management's Response: Management agrees with this finding. The City will implement a process to make sure all CARS reports are reviewed before being submitted.

CITY OF RACINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

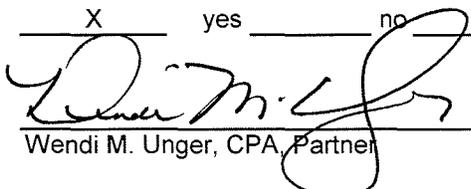
Section IV: Other Issues

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	<u> X </u>	yes	_____	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 Administration	_____	yes	<u> X </u>	no	_____	N/A
Department of Agriculture, Trade & Consumer Protection	_____	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 3, 2014

