

**CITY OF RACINE**  
Racine, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2016

# 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, 2016, 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 24, 2017. 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 statement of the Downtown Racine Business Improvement District #1 was not audited in accordance with *Government Auditing Standards*. The financial statements of Racine Water and Wastewater Utilities were audited in accordance with *Government Auditing Standards*. 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.

***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.

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.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
July 24, 2017

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 THE UNIFORM GUIDANCE 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 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, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, 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 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 through 2016-004. Our opinion on each major federal and major state program is not modified with respect to these matters.

### ***City of Racine's Response to Findings***

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 the Uniform Guidance 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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004, that we consider to be significant deficiencies.

## City of Racine's Response to Findings

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

### *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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

### *Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance 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, 2016, 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 24, 2017, 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 the Uniform Guidance 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.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin

September 18, 2017, except for our report on the schedules of expenditures of federal and state awards and the schedule of settlement of DHS cost reimbursement awards, for which the date is July 24, 2017.

**Schedule of Expenditures of  
Federal Awards Follows**



CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016

Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grantor/Pass Through Grantor/Program Title	Revenues			Expenditures		Subrecipient Expenditures				
			(Accrued) Deferred Revenue 12/31/2015	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2016	Local Revenue	Total Revenues		Grantor	Local	Total	
												Total Revenues
11,419	N/A	U.S. DEPARTMENT OF COMMERCE Office of National Oceanic and Atmospheric Administration (NOAA) Passed through State of Illinois Department of Natural Resources Beach Monitoring Coastal Management	\$ -	-	26,207	-	26,207	-	26,207	-	-	-
14,218	N/A	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Community Development Block Grants/Entitlement Grants Cluster 2016 Award	-	387,226	306,953	-	694,179	694,179	-	694,179	-	584,751
	N/A	2015 Award	(89,152)	682,908	45,621	2,270	641,647	639,377	2,270	641,647	-	425,318
	N/A	2014 Award	(9,895)	20,449	-	-	10,554	10,554	-	10,554	-	-
	N/A	2013 Award	(3,327)	8,738	-	-	5,411	5,411	-	5,411	-	5,411
14,218	N/A	Passed through State of Wisconsin Department of Administration Neighborhood Stabilization Program	(92,756)	92,756	-	-	-	-	-	-	-	-
14,218	N/A	Neighborhood Stabilization Program	(70,104)	61,739	108,331	-	99,966	99,966	-	99,966	-	-
		Total Community Development Block/Entitlement Grants Cluster	(265,234)	1,253,816	460,905	2,270	1,451,757	1,449,487	2,270	1,451,757	-	1,015,480
14,239	N/A	HOME Investment Partnership Program	(8,832)	199,267	6,224	-	196,659	196,659	-	196,659	-	92,799
14,239	N/A	HOME Investment Partnership Program	-	27,878	5,326	-	33,204	33,204	-	33,204	-	-
		Total 14,239	(8,832)	227,145	11,550	-	229,863	229,863	-	229,863	-	92,799
14,231	N/A	Emergency Solutions Grants Program 2013 Award	-	2,951	-	-	2,951	2,951	-	2,951	-	2,951
	N/A	2014 Award	(1,925)	4,311	-	-	2,386	2,386	-	2,386	-	-
	N/A	2015 Award	(19,939)	96,445	-	-	76,506	76,506	-	76,506	-	61,745
	N/A	2016 Award	-	3,737	70,705	-	74,442	74,442	-	74,442	-	69,833
		Total Emergency Solutions Grants Program	(21,864)	107,444	70,705	-	156,285	156,285	-	156,285	-	134,529
15,818	N/A	U.S. DEPARTMENT OF THE INTERIOR-NATIONAL PARKS SERVICE Passed through U.S. Geological Survey Evaluation of Restoration Activities	-	-	27,414	-	27,414	27,414	-	27,414	-	-
16,738	N/A	U.S. DEPARTMENT OF JUSTICE 2015 Edward Byrne Memorial Justice Assistance Grant	-	34,889	-	-	34,889	34,889	-	34,889	-	-
16,738	N/A	2016 Edward Byrne Memorial Justice Assistance Grant	(22,058)	22,281	4,245	-	13,720	13,720	-	13,720	-	-
16,738	N/A	2014 Edward Byrne Memorial Justice Assistance Grant	(22,058)	66,645	4,245	-	223	223	-	223	-	-
		Total JAG Program Cluster	(44,116)	87,515	8,490	-	48,832	48,832	-	48,832	-	-
16,812	N/A	Second Chance Act Prisoner Reentry Initiative-Demonstration	(30,932)	32,064	-	-	1,132	1,132	-	1,132	-	1,132

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

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016

Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grantor/Pass Through Grantor/Program Title	Revenues			Expenditures		Subrecipient Expenditures				
			(Accrued) Deferred Revenue 12/31/2015	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2016	Local Revenue	Grantor		Local	Total		
20.507*	N/A	Urban Mass Transportation Administration	\$ (728,392)	728,392	-	-	-	-	-	-	-	-
20.500*	N/A	Federal Transit - Formula Grant-2015	-	144,000	-	144,000	144,000	-	-	-	144,000	-
20.507*	N/A	Federal Transit - Capital Grant-2016	-	2,400,000	242,506	2,642,506	2,642,506	-	-	-	2,642,506	-
		Federal Transit - Formula Grant-2016	(728,392)	3,272,392	242,506	2,786,506	2,786,506	-	-	-	2,786,506	-
		Total Federal Transit Cluster										
20.205	N/A	Congestion Mitigation & Air Quality	-	-	8,894	14,555	8,894	5,661	-	-	14,555	-
20.205	N/A	Congestion Mitigation & Air Quality	(458,919)	549,349	-	117,087	90,430	26,657	-	-	117,087	-
		Total Highway Planning and Construction Cluster	(458,919)	549,349	8,894	131,642	99,324	32,318	-	-	131,642	-
		Passed through State of Wisconsin										
		Department of Transportation										
		Highway Safety Cluster										
20.600	FG-2016-RACINE P-03085	Alcohol Enforcement	(6,243)	44,067	5,933	43,757	43,757	-	-	-	43,757	-
20.600	FG-2015-RACINE P-03085	Seat Belt Enforcement-15/16	-	29,487	15,513	45,000	45,000	-	-	-	45,000	-
20.600	FG-2016-RACINE P-03406	Seat Belt Enforcement-16/17	-	-	805	805	805	-	-	-	805	-
20.600	FG-2016-RACINE P-03517	Speedwave-2016	-	37,263	22,736	59,999	59,999	-	-	-	59,999	-
		Passed through the Village of Mt. Pleasant										
20.609	FG-2016-MT PLEAS-03105	Enforcement Zone (EZ) Grant	(15,085)	15,085	-	-	-	-	-	-	-	-
20.609	FG-2015-MT PLEAS-03105	Enforcement Zone (EZ) Grant	(3,706)	19,759	-	16,053	16,053	-	-	-	16,053	-
20.600	FG-2015-MT PLEAS-02873	Speedwave	(9,005)	9,005	-	-	-	-	-	-	-	-
		Total Highway Safety Cluster	(34,039)	154,666	44,987	165,614	165,614	-	-	-	165,614	-
		U.S. ENVIRONMENTAL PROTECTION AGENCY										
66.818	N/A	Brownfields Cleanup Revolving Loan Fund	(125,628)	125,628	24,154	24,154	24,154	-	-	-	24,154	-
66.818	N/A	Brownfields Cleanup Revolving Loan Fund	(18,830)	32,347	9,405	22,922	22,922	-	-	-	22,922	-
66.818	N/A	Brownfields Cleanup Revolving Loan Fund	-	10	-	10	10	-	-	-	10	-
66.818	N/A	Site Assessment Grant	(44,001)	50,656	17,960	24,615	24,615	-	-	-	24,615	-
		Total 66.818	(188,459)	208,641	51,519	71,701	71,701	-	-	-	71,701	-
66.814	N/A	Area Wide Planning Grant	(12,248)	69,419	117,092	174,263	174,263	-	-	-	174,263	-
		Passed through the Wisconsin Department of Health Services										
66.032	150327	Radon Outreach	(1,315)	4,596	219	3,500	3,500	-	-	-	3,500	-
		Passed through the Wisconsin Department of Natural Resources										
66.472	WT0059-04	Beach Protection and Assessment-2016	-	26,000	-	26,000	26,000	-	-	-	26,000	-
66.472	00E99205-0	BEACH Act Program	(7,691)	8,000	-	309	309	-	-	-	309	-
		Total 66.472	(7,691)	34,000	-	26,309	26,309	-	-	-	26,309	-
		U.S. DEPARTMENT OF ENERGY										
81.128	N/A	Energy Efficiency and Conservation Block Grant - ARRA	38,524	-	(3,835)	34,689	34,689	-	-	-	34,689	-

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

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grantor/Pass Through Grantor/Program Title	Revenues		Expenditures		Subrecipient Expenditures				
			(Accrued) Deferred Revenue 12/31/2015	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2016	Local Revenue		Grantor	Local	Total	
93.602	N/A		\$ 10,000	(9,000)	-	-	1,000	-	-	1,000	-
93.069	660-155015	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	(31,634)	48,424	-	-	16,790	-	-	16,790	-
93.069	660-155050	IDA-Assets for Independence Program	(6,539)	16,484	-	-	9,945	-	-	9,945	-
93.069	760-155015	Department of Health Services	-	-	25,209	-	25,209	-	-	25,209	-
93.069	760-11111	Bio Terror-CDC Focus-2015	-	-	2,363	-	2,363	-	-	2,363	-
93.069	660-155190	Bio Terror-Additional-2016	(14,857)	19,623	-	-	4,766	-	-	4,766	-
93.069	760-155190	Cities Readiness Initiative-2015	-	-	19,260	-	19,260	-	-	19,260	-
93.069	660-11111	Cities Readiness Initiative-2016	(10,000)	15,593	-	-	5,593	-	-	5,593	-
		PHEP-Ebola	(63,030)	100,124	46,832	-	83,926	-	-	83,926	-
		Total 93.069									
93.268	660-155020	Immunization Grant	(18,027)	53,618	972	-	36,563	-	-	36,563	-
93.778	660-159320	Maternal and Child Health Grant	(28,454)	28,454	-	-	-	-	-	-	-
93.940	660-155957	Partner Referral (HIV) Services	(743)	12,261	1,482	-	13,000	-	-	13,000	-
93.991	660-159220	Preventive Health & Health Services	-	10,322	-	-	10,322	-	-	10,322	-
93.991	760-159220	Preventive Health & Health Services-16/17	(29,197)	51,037	884	-	884	-	-	884	-
		Total Preventive Health & Services			2,366	-	24,206	-	-	24,206	-
93.994	660-159320	Maternal and Child Health Grant	-	23,140	10,697	-	33,837	-	-	33,837	-
		TOTAL FEDERAL AWARDS	\$ (1,841,713)	\$ 6,199,096	\$ 1,123,275	\$ 34,588	\$ 5,515,246	\$ 5,480,658	\$ 34,588	\$ 5,515,246	\$ 1,243,940

\* 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, 2016

State Agency/Program Title	State ID Number	Pass Through Entity Identifying Number	Revenues			Total Revenues	Expenditures		Subrecipient Expenditures
			(Accrued) Deferred Revenue 12/31/2015	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2016		Local Revenue	Grantor	
<b>WISCONSIN DEPARTMENT OF AGRICULTURE, TRADE, AND CONSUMER PROTECTION</b>									
Prescription Drug Program	115.04	N/A	\$ (4,510)	4,700	5,550	5,740	5,740	5,740	-
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>									
Urban Non-Point Source Grant	USP-SE03-51276-12A	N/A	-	7,239	-	7,239	7,239	7,239	-
Recreational Boating Facilities	RBF-1402.2	N/A	(139,754)	139,754	-	-	-	-	-
Recreational Boating Facilities	RBF-1416	N/A	(14,580)	14,580	-	-	-	-	-
Recreational Boating Facilities	RBF-1572	N/A	-	914	-	914	914	914	-
Urban Forestry Grant	UF-1135-13	N/A	(25,000)	25,000	-	-	-	-	-
Knowles-Nelson Stewardship	UGS3-14-190	N/A	(110,692)	-	110,692	-	-	-	-
Knowles-Nelson Stewardship-Urban Greenspace	UGS3-16-198*	N/A	-	-	470,750	493,190	493,190	493,190	963,940
Recycling Grants to Responsible Units	370.670	N/A	-	279,634	-	279,634	279,634	279,634	-
Recycling Consolidation Grants	370.673	N/A	-	20,516	-	20,516	20,516	20,516	-
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>									
Transit Operating Aids	395.104*	N/A	(205,771)	205,771	-	-	-	-	-
2013 Award Year		N/A	(201,306)	201,306	-	-	-	-	-
2014 Award Year		N/A	(207,497)	-	207,497	-	-	-	-
2015 Award Year		N/A	-	1,846,764	205,196	2,051,960	2,051,960	2,051,960	-
2016 Award Year		N/A	-	79,050	-	79,050	79,050	79,050	-
2016 Award Year-Chapter 85.205		N/A	(20,000)	20,000	-	-	-	-	-
Passed Through Racine County		N/A	(634,574)	2,352,891	412,693	2,131,010	2,131,010	2,131,010	-
2015 Award Year -Chapter 85.205		N/A	(56,539)	187,811	57,864	189,136	189,136	189,136	-
<b>WISCONSIN DEPARTMENT OF HEALTH SERVICES</b>									
Infant Mortality-2015	435.110*	N/A	(11,380)	52,969	-	41,589	41,589	41,589	-
Consolidated Contract-WWWP CDC	435.157	N/A	-	-	72,273	72,273	72,273	72,273	-
Consolidated Contract-WWWP CDC	435.157	N/A	(151)	151	-	-	-	-	-
Consolidated Contract-WWWP CDC	435.157	N/A	(1,384)	4,153	-	2,769	2,769	2,769	-
Consolidated Contract-WWWP-Screening	435.157	N/A	(12,678)	37,705	2,391	27,418	27,418	27,418	-
Consolidated Contract-Childhood Lead	435.157	N/A	(25,593)	94,978	74,664	144,049	144,049	144,049	-
<b>WISCONSIN ECONOMIC DEVELOPMENT CORPORATION</b>									
Site Assessment Grant	BF-SAG FY13-21941	N/A	(37,645)	50,576	-	12,931	12,931	12,931	-
Site Assessment Grant	BF-SAG FY15-22616	N/A	(47,585)	-	66,666	19,081	19,081	19,081	-
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>									
Lead Service Replacement Program		N/A	-	-	33,300	33,300	33,300	33,300	-
Passed through the City of Kenosha		N/A	(25,489)	17,743	32,258	24,512	24,512	24,512	-
Coastal Management Program	AD-119502	N/A	(38,413)	44,788	9,942	16,317	16,317	16,317	-
Coastal Management Program	AD-149883-015.27	N/A	-	-	-	-	-	-	-
Youth Gang Diversion Program Grant	505.639	N/A	(19,149)	54,076	-	34,927	34,927	34,927	17,799
2016 Award Year		N/A	-	121,434	-	81,800	81,800	81,800	17,799
2015 Award Year		N/A	-	-	-	-	-	-	34,927
Uniform Beat Patrol Officers Grant	505.603	N/A	-	-	-	-	-	-	34,927
<b>TOTAL STATE AWARDS</b>			<b>\$ (1,179,523)</b>	<b>\$ 3,416,634</b>	<b>\$ 1,292,178</b>	<b>\$ 4,104,279</b>	<b>\$ 3,529,289</b>	<b>\$ 4,104,279</b>	<b>\$ 241,862</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, 2016

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#### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedules of expenditures of federal and state awards (the “schedules”) 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, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedules presents only a selected portion of the operations of the City of Racine, they are not intended to and do not present the financial position, changes in net position or cash flows of the City of Racine.

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedules are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

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#### **NOTE 3 – PRIOR YEAR FINDINGS**

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The findings reported as 2015-001 to 2015-003 were resolved.

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#### **NOTE 4 – INDIRECT COST RATE**

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The City of Racine has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

## CITY OF RACINE

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2016

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#### **NOTE 5 – LOAN PROGRAM**

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Loans issued under the U.S. Department of Housing and Urban Development Community Development Block Grant loan program were \$717,023 during the year ended December 31, 2016. The balance of loans outstanding under the Community Development Block Grant loan program was \$5,011,608 at December 31, 2016.

Loans issued under the U.S. Department of Housing and Urban Development HOME loan program were \$2,204 during the year ended December 31, 2016. The balance of loans outstanding under the HOME loan program was \$23,657 at December 31, 2016.

No loans were issued under the U.S. Environmental Protection Agency Brownfield Assessment and Cleanup Cooperative Agreements revolving loan program during the year ended December 31, 2016. The balance of loans outstanding under the Brownfield Assessment and Cleanup Cooperative Agreements revolving loan program was \$150,000 at December 31, 2016.

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### FINANCIAL STATEMENTS

Type of report the auditor issued: unmodified

Internal control over financial reporting:

- > Material weakness (es) identified?             yes        x   no
- > Significant deficiency (ies) identified?             yes        x   none reported

Noncompliance material to financial statements noted?             yes        x   no

#### FEDERAL AND STATE AWARDS

Internal control over major programs:

- |  | Federal Programs                             | State Programs                               |
|--|--|--|
| > Material weakness(es) identified?  | <u>      </u> yes <u>  x  </u> no            | <u>      </u> yes <u>  x  </u> no            |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u>  x  </u> yes <u>      </u> none reported | <u>  x  </u> yes <u>      </u> none reported |

	unmodified	unmodified
Type of auditor’s report issued on compliance for major programs:	<u>      </u>	<u>      </u>

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<u>  x  </u> yes <u>      </u> no	<u>  x  </u> yes <u>      </u> no
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Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  x  </u> no	<u>      </u> yes <u>  x  </u> no
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000	\$250,000
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Dollar threshold used to distinguish between DHS type A and type B programs:		\$250,000
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# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

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#### FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 / 20.507	Federal Transit Cluster

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
UGS3-16-198	Knowles-Nelson Stewardship-Urban Greenspace
395.104	Transit Operating Aids
435.110	Infant Mortality

# CITY OF RACINE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

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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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2016-001 *Programs:* 20.500/20.507 Federal Transit Cluster

*Criteria:* The City should follow proper procurement and disadvantaged business entity requirements.

*Condition:* Debarment was not reviewed before purchases were made, proper piggyback contract rules were not followed, and the City did not follow proper disadvantaged business entity requirements.

*Questioned Costs:* Unknown.

*Context:* Population: Greater than 250 Sample size: 40; sample statistically valid.

*Effect:* Vendors could be used that do not follow the procurement rules or that are debarred.

*Repeat Finding:* not applicable.

*Recommendation:* We recommend that the City do their debarment review prior to the purchase and follow proper piggybacking procedures.

*Management's Response:* The City has a specific procedural documents associated with the fiscal administration of federal grants. These procedural documents have been reviewed by the responsible staff members and are understood. This was a finding from the City's FTA triennial review. The City has since instituted a debarment review procedure and have reinforced our piggyback procedures.

2016-002 *Program:* 435.110 Infant Mortality

*Criteria:* Reimbursement requests should be submitted after expenditures are paid.

*Condition:* One cash draw requested reimbursement prior to paying the expenditure.

*Questioned Costs:* Unknown.

*Context:* Population: 12 Sample size: 3; sample statistically valid.

*Effect:* The City could be reimbursed incorrect amounts.

*Repeat Finding:* not applicable

## CITY OF RACINE

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

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2016-002 Program: 435.110 Infant Mortality (continued)

*Recommendation:* We recommend that the City write checks to the County before submitting the CARS report.

*Management's Response:* The City has a specific procedural documents associated with the fiscal administration of federal grants. These procedural documents have been reviewed by the responsible staff members and are understood. All reports and draws prepared must be approved by a manager prior to submission. This was an unusual timing issue. The importance of timing between the reporting and the check issuance has been communicated with everyone involved.

2016-003 Program: 435.110 Infant Mortality

*Criteria:* Reports should be reviewed and approved by someone other than the original preparer who is a City employee.

*Condition:* Performance and progress reports are prepared and submitted by Racine County, but there was no review of one of the reports by the City prior to submission.

*Questioned Costs:* Unknown.

*Context:* Population: 17 Sample size: 6; sample statistically valid.

*Effect:* There could be errors in the amounts reported.

*Repeat Finding:* not applicable

*Recommendation:* We recommend that a City employee review and approve all reports prior to submission to DHS.

*Management's Response:* The City has implemented specific procedures associated with the review and approval of reporting documents prepared by outside agencies. All reports will be reviewed the appropriate staff prior to submission.

## CITY OF RACINE

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

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

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2016-004 *Program:* UGS3-16-198 Knowles-Nelson Stewardship Program

*Criteria:* The DNR grant agreement lists specific reporting requirements based on taking title to the property purchased using grant funding, including a Phase II EA Report and Site Investigation Report.

*Condition:* Phase II EA Report is due no later than 120 days after taking title to the property purchased using grant funding. The Site Investigation Report is due no later than 120 days after the Wisconsin DNR approves the Site Investigation Scope of Work, which is required to be submitted to the Wisconsin DNR within 30 days of submitting the Phase II EA Report.

*Questioned Costs:* Unknown.

*Context:* Population: 2 Sample size: 2; sample statistically valid.

*Effect:* The property purchased may not meet the requirements of the grant funding.

*Repeat Finding:* not applicable

*Recommendation:* We recommend that the City implement a process to ensure performance reports are completed timely.

*Management's Response:* The City is working with the Department of Natural Resources to ensure that all reporting requirements are met.



City of Racine  
 Schedule of Settlement of DHS Cost Reimbursement Awards  
 For the Year Ended December 31, 2016

Agency 341113 Type 660 DHS Identification Number CARS Profile # Award amount Award period Period of award within audit period	Org. 20128 Ebola 11111 \$ 21,377 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20031 Limited 124000 \$ 1,888 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20037 Screening 150156 \$ 5,538 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20033 BT 155015 \$ 64,397 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20034 CRI 155190 \$ 26,166 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20038 WWWP 157010 \$ 110,750 07/01/15-06/30/16 01/01/16-06/30/16	Project: 20103 Immunization 155020 \$ 36,563 01/01/16-12/31/16 01/01/16-12/31/16	Project: 20041 BT 155050 \$ 16,485 07/01/15-06/30/16 01/01/16-06/30/16	Org. 20108 Lead 157720 \$ 27,418 01/01/16-12/31/16 01/01/16-12/31/16	Org. 20111 PHHS 156220 \$ 10,322 10/01/13-09/30/16 01/01/16-09/30/16	Org. 20113 MCH 156920 \$ 33,837 01/01/16-12/31/16 01/01/16-12/31/16	Total \$ 367,741
<b>A Expenditures reported to DHS for payment</b>	\$ 5,593	\$ 1,888	\$ 2,769	\$ 16,790	\$ 4,766	\$ 41,589	\$ 36,563	\$ 9,945	\$ 27,418	\$ 10,322	\$ 33,837	\$ 204,480
<b>B Actual Allowable cost of award</b>												
<b>Program Expenses</b>												
2 Supplies, etc	\$ 5,593	\$ 1,888	\$ 2,769	\$ 6,296	\$ 4,702	\$ 9,135	\$ 35,000	\$ 9,945	\$ 10,050	\$ 10,322	\$ 980	\$ 48,285
7 Employee salaries & wages				10,482		32,454			17,368		32,857	\$ 156,186
8 Employee Pension plan contributions												
9 Employee Hlth,Disability,Life Ins benefits												
Total Program Expenses	\$ 5,593	\$ 1,888	\$ 2,769	\$ 16,790	\$ 4,766	\$ 41,589	\$ 36,563	\$ 9,945	\$ 27,418	\$ 10,322	\$ 33,837	\$ 204,480
<b>C Less program revenue &amp; other offsets to costs (Identify in notes)</b>												
<b>F Total allowable costs</b>	\$ 5,593	\$ 1,888	\$ 2,769	\$ 16,790	\$ 4,766	\$ 41,589	\$ 36,563	\$ 9,945	\$ 27,418	\$ 10,322	\$ 33,837	\$ 204,480
<b>Agency 341113 Type 760</b> DHS Identification Number CARS Profile # Award amount Award period Period of award within audit period	Project: 20035 Infant 110190 \$ 445,400 07/01/15-06/30/17 01/01/16-12/31/16	Project: 20046 BT 155015 \$ 56,754 07/01/16-06/30/17 01/01/16-12/31/16	Project: 20045 WWWP 157010 \$ 97,175 07/01/16-06/30/17 01/01/16-12/31/16	Project: 20051 WWWP 157720 \$ 5,538 07/01/16-06/30/17 01/01/16-12/31/16	Project: 20047 CRI 155190 \$ 24,355 07/01/16-06/30/17 01/01/16-12/31/16	Project: 20050 BT 155050 \$ 12,610 07/01/16-06/30/17 01/01/16-12/31/16	Project: 20052 PHHS 156220 \$ 11,006 10/01/13-09/31/17 10/01/16-12/31/16					Total \$ 655,928
<b>A Expenditures reported to DHS for payment</b>	\$ 189,136	\$ 25,209	\$ 72,273	\$ -	\$ 19,280	\$ 2,363	\$ 884					\$ 309,125
<b>B Actual Allowable cost of award</b>												
<b>Program Expenses</b>												
2 Supplies, etc	\$ 189,136	\$ 23,000	\$ 40,878	\$ -	\$ 19,280	\$ 2,363	\$ 884					\$ 274,827
7 Employee salaries & wages		2,119	31,295									\$ 34,288
8 Employee Pension plan contributions												
9 Employee Hlth,Disability,Life Ins benefits												
Total Program Expenses	\$ 189,136	\$ 25,209	\$ 72,273	\$ -	\$ 19,280	\$ 2,363	\$ 884					\$ 309,125
<b>C Less program revenue &amp; other offsets to costs (Identify in notes)</b>												
<b>F Total allowable costs</b>	\$ 189,136	\$ 25,209	\$ 72,273	\$ -	\$ 19,280	\$ 2,363	\$ 884					\$ 309,125