

**CITY OF RACINE**  
Racine, Wisconsin

**REPORT ON FEDERAL AND STATE AWARDS**

For the Year Ended December 31, 2004

# CITY OF RACINE

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine, Wisconsin as of and for the year ended December 31, 2004 and have issued our report thereon dated May 24, 2005. We did not audit the financial statements of the City of Racine Water and Wastewater Utilities, which represent 80 percent and 89 percent, respectively, of the assets and operating revenues of the business-type activities. We also did not audit the financial statements of the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Racine Water and Wastewater Utilities or the Downtown Racine Business Improvement District #1, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Racine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

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

We noted certain matters that we reported to management of the City of Racine in a separate letter dated May 24, 2005.

To the Mayor and Common Council  
City of Racine

This report is intended solely for the information and use of the City of Racine Common Council, management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Vicklow, House + Company, LLP*

Milwaukee, Wisconsin  
May 24, 2005



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*  
AND THE *STATE SINGLE AUDIT GUIDELINES* AND THE SCHEDULES OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS

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

**Compliance**

We have audited the compliance of the City of Racine, Wisconsin with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that are applicable to each of its major federal and major state programs for the year ended December 31, 2004. The City of Racine's major federal and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the City of Racine's management. Our responsibility is to express an opinion on the City of Racine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and *State Single Audit Guidelines*. Those standards, *OMB Circular A-133* and *State Single Audit Guidelines*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Racine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Racine's compliance with those requirements.

In our opinion, the City of Racine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and major state programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-01.

To the Mayor and Common Council  
City of Racine

### ***Internal Control Over Compliance***

The management of the City of Racine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Racine's internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and *State Single Audit Guidelines*

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control over compliance that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### ***Schedules of Expenditures of Federal and State Awards***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine as of and for the year ended December 31, 2004, which collectively comprise the City of Racine's basic financial statements and have issued our report thereon dated May 24, 2005. We did not audit the financial statements of the City of Racine Water and Wastewater Utilities, which represent 80 percent and 89 percent, respectively, of the assets and operating revenues of the business-type activities. We also did not audit the financial statements of the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Racine Water and Wastewater Utilities or the Downtown Racine Business Improvement District #1, is based on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City of Racine Common Council, management, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties

*Vicklow, Krause & Company, LLP*

Milwaukee, Wisconsin  
May 24, 2005

**Schedule of Expenditures of  
Federal Awards Follows**

**CITY OF RACINE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	(Accrued) Deferred Revenue 12/31/2003	Revenues			Local Revenue	Total Revenues	Grantor	Local Expenditures	Total
			Grantor Receipts	12/31/2004 Revenue	Accrued (Deferred) Revenue					
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
Passed through Health and Nutrition Services										
Special Supplemental Food Program - WIC	10.557	\$ (36,490)	\$ 179,036	\$ 16,116	\$ -	\$ 158,662	\$ 158,662	\$ -	\$ 158,662	
Great Lakes Basin Program	10.902	10,000	10,000	(4,809)	15,191	30,382	15,191	15,191	30,382	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>										
Community Development Block Grant Program	14.218*									
1996 Award		(950)	11,719	-	-	10,769	10,769	-	10,769	
1997 Award		-	13,899	4,682	-	18,581	18,581	-	18,581	
1999 Award		-	5,233	1,291	-	6,524	6,524	-	6,524	
2000 Award		(76,594)	4,694	-	112,000	40,100	(71,900)	112,000	40,100	
2001 Award		(68,334)	131,645	4,367	-	67,678	67,678	-	67,678	
2002 Award		(78,662)	83,662	1,820	-	6,820	6,820	-	6,820	
2003 Award		(532,309)	1,286,199	24,931	-	778,821	778,821	-	778,821	
2004 Award		-	1,019,084	427,165	12,195	1,458,444	1,446,249	12,195	1,458,444	
HOME Investment in Affordable Housing Emergency Shelter Grants Program	14.239 14.231	(138,801)	831,593	48,272	466,580	1,207,644	741,064	466,580	1,207,644	
2001 Award		(273)	273	-	-	-	-	-	-	
2003 Award		(19,904)	64,595	3,610	-	48,301	48,301	-	48,301	
2004 Award		-	716	25,530	-	26,246	26,246	-	26,246	
Passed through State of Wisconsin Department of Health and Family Services HUD Lead Based Paint	14.900	(5,719)	11,719	-	-	6,000	6,000	-	6,000	
<b>U.S. DEPARTMENT OF JUSTICE</b>										
Passed through Safe and Sound, Inc. Safe and Sound Program	16.540	(57,684)	90,000	-	8,855	41,171	32,316	8,855	41,171	



CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Total Revenues	Expenditures		Total
		(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue		Grantor	Local	
<b>U.S. DEPARTMENT OF JUSTICE (CONTINUED)</b>									
Passed through the Department of Administration									
Office of Justice Assistance									
Gang/Crime Diversion Task Force	16.523	\$ (31,954)	\$ 46,340	\$ 50,026	\$ 6,532	\$ 70,944	\$ 6,532	\$ 70,944	
Local Law Enforcement Block Grant	16.592								
2000 Award Year		1,049	-	-	-	1,049	-	1,049	1,049
2002 Award Year		63,630	-	-	10,377	74,007	10,377	74,007	74,007
2003 Award Year		47,218	-	(29,861)	1,920	19,277	1,920	19,277	19,277
2004 Award Year		-	20,954	(20,954)	-	-	-	-	-
Project Safe Neighborhood	16.609	-	49,043	24,096	-	73,139	-	73,139	73,139
Weed and Seed	16.725	(32,296)	203,794	30,332	-	201,830	-	201,830	201,830
Passed through the Wisconsin									
Emergency Management									
Domestic Preparedness Program Grant	16.007	(25,887)	30,293	-	(17)	4,389	(17)	4,389	4,389
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>									
Urban Mass Transportation Administration									
Operating Formula Grant									
2003 Award Year	20.507*	(1,832,267)	3,522,477	-	-	1,690,210	-	1,690,210	1,690,210
Passed through State of Wisconsin									
Department of Transportation									
Capital Formula Grant									
1999 Award Year	20.507*	(7,177)	17,667	32,467	-	42,957	-	42,957	42,957
Capital Formula Grant	20.500*								
1999 Award Year		-	-	48,000	-	48,000	-	48,000	48,000
2000 Award Year		(111,949)	1,648,172	-	-	1,536,223	-	1,536,223	1,536,223
2001 Award Year		(693,358)	922,086	47,456	-	276,184	-	276,184	276,184
2002 Award Year		-	1,130,312	33,149	-	1,163,461	-	1,163,461	1,163,461
2003 Award Year		-	1,339,561	130,038	-	1,469,599	-	1,469,599	1,469,599
2004 Award Year		-	-	117,320	-	117,320	-	117,320	117,320

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues				Expenditures		Total	
		(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor		Local
<b>U.S. DEPARTMENT OF TRANSPORTATION (CONTINUED)</b>									
Passed through State of Wisconsin									
Department of Transportation (continued)									
Surface Transportation Discretionary Program (STP)	20.500*	\$ (137,743)	\$ 96,000	\$ -	\$ 41,743	\$ -	(41,743)	\$ 41,743	\$ -
Congestion Mitigation & Air Quality	20.205	(471,316)	415,316	-	56,000	-	(56,000)	56,000	-
Congestion Mitigation & Air Quality	20.205	(456,227)	439,249	96,876	-	79,898	79,898	-	79,898
Pedestrian Safety	20.600	-	8,333	-	2,098	10,431	8,333	2,098	10,431
Buckle Up or Pay the Price	20.600	-	4,429	-	1,259	5,688	4,429	1,259	5,688
Speedwave	20.600	-	6,467	-	-	6,467	6,467	-	6,467
Alcohol Enforcement	20.600	(2,135)	5,000	-	1,259	4,124	2,865	1,259	4,124
<b>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</b>									
Passed through State of Wisconsin									
Department of Public Instruction									
Library Services & Technology Act	45.310	-	4,650	-	-	4,650	4,650	-	4,650
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>									
Brownsfield Assessment and Cleanup Cooperative									
	66.818	-	-	1,267	-	1,267	1,267	-	1,267
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>									
Emergency Preparedness & Response Directorate									
	83.554	-	6,986	(6,986)	-	-	-	-	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
Passed through State of Wisconsin									
Department of Health and Family Services									
Bio Terror-CDC Focus	93.283	(2,000)	75,395	(17,964)	2,000	57,431	55,431	2,000	57,431
Childhood Immunization Grant	93.268	-	44,811	(2,800)	-	42,011	42,011	-	42,011
TCB-Community Coalition	93.283	15,860	37,063	(18,454)	70	34,539	34,469	70	34,539
Lead Based Paint	93.197	(1,183)	65,375	(626)	-	63,566	63,566	-	63,566
Consolidated Contract-VWWWP CDC	93.919	6,010	21,587	(3,340)	-	24,257	24,257	-	24,257
Environmental Health Capacity Building	93.283	-	3,330	-	-	3,330	3,330	-	3,330
West Nile Virus Assessment and Control	93.283	(197)	22,383	-	197	22,383	22,186	197	22,383
CDC Tobacco Control	93.283	1,896	(1,826)	-	(70)	-	70	(70)	-

CITY OF RACINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2004

Federal CFDA Number	Federal Grantor/Pass Through Grantor/Program Title	Revenues				Expenditures				
		(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	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 and Family Services (continued)									
93.991	Preventive Health & Health Services	\$ 1,790	\$ 19,700	\$ -	\$ -	\$ 21,490	\$ 21,490	\$ -	\$ 21,490	
93.778	Maternal and Child Health Grant	655	4,299	(845)	3,504	7,613	4,109	3,504	7,613	
93.994	Maternal and Child Health Grant	9,601	77,377	(15,207)	63,075	134,846	71,771	63,075	134,846	
	Passed through State of Wisconsin									
	Department of Workforce Development									
93.558	Temporary Assistance by Needy Family (WETAP)	(4,617)	8,840	2,302	-	6,525	6,525	-	6,525	
93.596	Passed through Racine County Division of Health Community Child Care Initiatives Brighter Futures Initiative-Block Grants for Prevention & Treatment of Substance Abuse	-	10,000	-	-	10,000	10,000	-	10,000	
93.959	Brighter Futures Initiative - Medical Assistance Program	(8,168)	29,245	7,353	-	28,430	28,430	-	28,430	
93.558		(6,141)	21,988	5,528	-	21,375	21,375	-	21,375	
	<b>TOTAL FEDERAL AWARDS</b>	<b>\$ (4,682,626)</b>	<b>\$ 14,100,763</b>	<b>\$ 1,062,148</b>	<b>\$ 804,768</b>	<b>\$ 11,285,053</b>	<b>\$ 10,480,285</b>	<b>\$ 804,768</b>	<b>\$ 11,285,053</b>	

\* 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, 2004

State Agency/Program Title	State ID Number	Revenues					Expenditures		Total
		(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor	Local	
	370.419	\$ (2,400)	\$ 10,487	\$ 2,501	\$ -	\$ 10,588	\$ 10,588	\$ -	\$ 10,588
Beach E-Coli Study	370.573	-	513	-	513	1,026	513	513	1,026
Recreational Boating Facilities	370.573	-	2,567	-	-	2,567	2,567	-	2,567
Recreational Boating Facilities	370.573	-	-	4,250	17,000	21,250	4,250	17,000	21,250
Local Park Aids Program-Project #S-ADLP2-822	370.421	(375,000)	375,000	-	-	-	-	-	-
Local Park Aids Program-Project #S-ADLP2-822	370.421	-	30,583	(19,613)	-	10,970	10,970	-	10,970
Urban Non Point Source Abatement Program	370.658	(11,822)	11,822	-	-	-	-	-	-
Urban Non Point Source Abatement Program	370.658	(76,287)	100,000	-	53,404	77,117	23,713	53,404	77,117
Urban Non Point Source Planning Grant	370.658	-	9,358	32,145	17,787	59,290	41,503	17,787	59,290
Brownfield Site Assessment Grant	370.687	-	-	30,000	-	30,000	30,000	-	30,000

WISCONSIN DEPARTMENT OF NATURAL RESOURCES

WISCONSIN DEPARTMENT OF TRANSPORTATION

Transit Operating Aids	395.104*								
1998 Award Year		(45,441)	-	45,441	-	-	-	-	-
1999 Award Year		(46,986)	-	46,986	-	-	-	-	-
2000 Award Year		(45,461)	-	45,461	-	-	-	-	-
2001 Award Year		(50,093)	-	50,093	-	-	-	-	-
2002 Award Year		(195,469)	133,678	61,791	-	-	-	-	-
2003 Award Year		(252,068)	-	252,068	-	-	-	-	-
2004 Award Year		-	2,277,277	231,803	-	2,509,080	2,509,080	-	2,509,080
WETAP-Transportation Demand Management	395.516	(1,431)	2,740	713	-	2,022	2,022	-	2,022
WETAP-Job Access and Reserve Commute	395.516	(19,846)	37,995	9,894	-	28,043	28,043	-	28,043

**CITY OF RACINE**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Year Ended December 31, 2004

State Agency/Program Title	State ID Number	Revenues					Expenditures		
		(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor	Local	Total
<b>WISCONSIN DEPARTMENT OF HEALTH AND FAMILY SERVICES</b>									
Cancer Control and Prevention Grant	435.153	\$ (393)	\$ 2,930	\$ -	\$ -	\$ 2,537	\$ 2,537	\$ -	\$ 2,537
Consolidated Contract-WWWP CDC	435.155	5,330	18,835	(2,914)	-	21,251	21,251	-	21,251
Consolidated Contract-WWWP CDC	435.157	-	40,520	(6,270)	-	34,250	34,250	-	34,250
Consolidated Contract-Childhood Lead	435.157	3,436	37,186	(7,282)	-	33,340	33,340	-	33,340
Maternal and Child Health Grant	435.159	655	4,299	(845)	3,504	7,613	4,109	3,504	7,613
Passed through Racine County Division of Health Brighter Futures-Medical Assistance Program	435.540	(3,984)	14,265	3,587	-	13,868	13,868	-	13,868
<b>WISCONSIN DEPARTMENT OF JUSTICE ASSISTANCE</b>	505.207	-	123,867	-	43,971	167,838	123,867	43,971	167,838
Beat Patrol Officers Grant									
<b>TOTAL STATE AWARDS</b>		<b>\$ (1,117,260)</b>	<b>\$ 3,233,922</b>	<b>\$ 779,809</b>	<b>\$ 136,179</b>	<b>\$ 3,032,650</b>	<b>\$ 2,896,471</b>	<b>\$ 136,179</b>	<b>\$ 3,032,650</b>

\* Represents a major state program.

# CITY OF RACINE

## NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2004

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### NOTE 1 – REPORTING ENTITY

The report on Expenditures of Federal and State Awards includes all of the funds of the City of Racine. The reporting entity for the City is based upon criteria established by the *Governmental Accounting Standards Board*.

State programs reported include only those programs required to be included in accordance with the *State Single Audit Guidelines*.

### NOTE 2 – BASIS OF PRESENTATION

The accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations and the State Single Audit Guidelines*.

### NOTE 3 – OVERSIGHT AND COGNIZANT AGENCIES

The City's federal oversight agency for audit is the U.S. Department of Housing and Urban Development. The City's state cognizant agency is the Wisconsin Department of Revenue.

### NOTE 4 – FEDERAL PROGRAM CLUSTER

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

<u>Federal Transit Cluster</u>	<u>Expenditures</u>
20.500 Federal Transit – Capital Investment	\$4,610,787
20.507 Federal Transit – Formula Grants	<u>1,733,167</u>
Total	<u>\$6,343,954</u>

### NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

No findings of noncompliance were identified in the Single Audit Report for the year ended December 31, 2003.

**CITY OF RACINE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2004**

**Section I: Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued	unqualified		
Internal control over financial reporting			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ 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	
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> none reported	

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of major federal programs

CFDA NUMBER(S)

14 218  
20.500 & 20.507

Name of Federal Program or Cluster

Community Development Block Grant Program  
Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Identification of major state programs

STATE ID NUMBER(S)

395 104  
395 516

Name of State Program

Transit Operating Aids  
WETAP

Dollar threshold used to distinguish between Type A and Type B programs

\$ 100,000



**CITY OF RACINE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2004

**Section II: Financial Statement Findings**

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

**Section III: Federal and State Award Findings and Questioned Costs**

**Finding 04-01: CFDA 14.218 Community Development Block Grant Department of Housing and Urban Development**

**Criteria :** Monitoring the subrecipient's activities is required to provide reasonable assurance that the administrator administers Federal awards in compliance with Federal requirements

**Condition:** Of the six subrecipient files selected for testing, monitoring of one subrecipient was not performed in 2004

**Questioned Cost:** \$19,000


**Effect:** Unable to determine if the subrecipient administered the Federal awards in compliance with Federal requirements

**Recommendation:** We recommend that the City perform monitoring of all CDBG subrecipients on an annual basis.

**Corrective Action Plan:** During 2005, the City is implementing new policies and procedures relating to monitoring. Both the City Development and Finance Departments will work together to schedule and perform monitoring on subrecipients in a timely fashion. All monitoring will be reviewed by a supervisor to ensure timeliness and that appropriate follow-up has taken place

**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, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
 

Department of Health and Family Services	_____	yes	<u>  X  </u>	no	_____	N/A
Department of Natural Resources	_____	yes	<u>  X  </u>	no	_____	N/A
Department of Transportation	_____	yes	<u>  X  </u>	no	_____	N/A
Department of Justice Assistance	_____	yes	<u>  X  </u>	no	_____	N/A
  
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  
 \_\_\_\_\_   X   yes \_\_\_\_\_ no \_\_\_\_\_ N/A
  
4. Name and signature of partner  
 \_\_\_\_\_  
  
 \_\_\_\_\_  
 Donald N. Vilione, CPA, Partner
  
5. Date of report  
 \_\_\_\_\_  
 May 24, 2005