

# **CITY OF WAUKESHA**

Waukesha, Wisconsin

## REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2015

# CITY OF WAUKESHA

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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 Common Council  
City of Waukesha  
Waukesha, Wisconsin

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements and have issued our report thereon dated July 18, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Waukesha'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 Waukesha's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, we consider to be a material weakness. This material weakness is item 2015-001.

To the Common Council  
City of Waukesha

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Waukesha'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*.

### **City of Waukesha's Response to the Finding**

The City of Waukesha's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waukesha's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Milwaukee, Wisconsin  
July 18, 2016

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 Common Council  
City of Waukesha  
Waukesha, Wisconsin

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

We have audited the City of Waukesha, 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 Waukesha's major federal and major state programs for the year ended December 31, 2015. The City of Waukesha'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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Waukesha'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 Waukesha'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 Waukesha's compliance.

To the Common Council  
City of Waukesha

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

In our opinion, the City of Waukesha 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, 2015.

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

Management of the City of Waukesha is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Waukesha's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Waukesha'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.

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

To the Common Council  
City of Waukesha

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements. We issued our report thereon dated July 18, 2016, 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. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Milwaukee, Wisconsin

September 19, 2016, except for our report on the schedule of expenditures of federal and state awards, for which the date is July 18, 2016.

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues						Expenditures			
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total	
<b>FEDERAL PROGRAMS</b>														
<b>U.S. Department of Housing and Urban Development</b>														
Community Development Block Grant/Entitlement Grants														
2012	14.218	WC	PS1200X	\$ 187,206	\$ (3,982)	\$ -	\$ 5,132	\$ (1,150)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	14.218	WC	PS1300X	200,135	(72,940)	22,286	79,398	15,828	-	22,286	22,286	-	-	22,286
2014	14.218	WC	PS1400X	437,000	(100,610)	92,482	112,368	80,724	-	92,482	92,482	-	-	92,482
2015	14.218	WC	PS1500X	210,100	-	177,300	169,700	7,600	-	177,300	177,300	-	-	177,300
Program income	14.218	WC	N/A	-	(35,978)	88,736	30,446	94,268	-	88,736	88,736	-	-	88,736
Total Community Development Block Grant/Entitlement Grants					(213,510)	380,804	397,044	197,270	-	380,804	380,804	-	-	380,804
Lead-Based Paint Hazard Control in Privately-Owned Property	14.900	N/A	N/A	1,100,000	(147,188)	169,453	316,641	-	260,638	430,091	169,453	260,638	-	430,091
Program income	14.900	N/A	N/A	-	-	422	3,216	(2,794)	-	422	422	-	-	422
Total Lead-Based Paint Hazard Control in Privately-Owned Property					(147,188)	169,875	319,857	(2,794)	260,638	430,513	169,875	260,638	-	430,513
Total U.S. Department of Housing and Urban Development					(360,698)	550,679	716,901	194,476	260,638	811,317	550,679	260,638	-	811,317
<b>U.S. Department of Justice</b>														
Bulletproof Vest Partnership Program	16.607	N/A	N/A	36,000	(10,035)	2,446	12,089	392	11,532	13,978	2,446	11,532	-	13,978
Edward Byrne Memorial Justice Assistance 2014-DJ-BX-0403	16.738	N/A	N/A	11,873	-	11,873	11,873	-	-	11,873	11,873	-	-	11,873
Total Edward Byrne Memorial Justice Assistance Grant Program					-	11,873	11,873	-	-	11,873	11,873	-	-	11,873
Total U.S. Department of Justice					(10,035)	14,319	23,962	392	11,532	25,851	14,319	11,532	-	25,851
<b>U.S. Department of Transportation</b>														
Highway Safety Cluster														
Alcohol Impaired Driving Countermeasures Incentive Grant I														
2015	20.601	DOT	2015-31-05-K8	15,000	(1,309)	13,340	14,649	-	-	13,340	13,340	-	-	13,340
2015	20.601	DOT	2015-31-05-K8	10,000	(1,309)	8,484	9,793	-	-	8,484	8,484	-	-	8,484
2016	20.601	DOT	2016-31-05-K8	29,584	-	5,798	-	5,798	-	5,798	5,798	-	-	5,798
Total Highway Safety Cluster					(2,618)	27,622	24,442	5,798	-	27,622	27,622	-	-	27,622

See notes to schedule of expenditures of federal and state awards.

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues						Expenditures			
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total	
<b>FEDERAL PROGRAMS (cont )</b>														
<b>U.S. Department of Transportation (cont.)</b>														
Highway Planning and Construction	20.205	DOT	1693-47-00	\$ 220,720	\$ (11,839)	\$ -	\$ 11,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Transit Cluster														
Federal Transit Formula Grant	20.507	DOT	WI-90-0589	994,169	-	3,086	3,086	-	-	3,086	3,086	-	-	3,086
Federal Transit Formula Grant	20.507	DOT	WI-90-0749	1,027,910	(1,593)	15,246	7,948	8,891	-	15,246	15,246	-	-	15,246
Federal Transit Formula Grant	20.507	DOT	WI-90-X771-000	1,001,861	(143,054)	8,378	150,119	1,313	-	8,378	8,378	-	-	8,378
Federal Transit Formula Grant	20.507	DOT	WI-95-X047-00	1,312,000	-	1,217,706	1,217,706	-	-	1,217,706	1,217,706	-	-	1,217,706
Federal Transit Formula Grant	20.507	DOT	WI-90-X798-00	1,001,563	-	936,544	-	936,544	-	936,544	936,544	-	-	936,544
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-0035	71,500	(4,303)	9,041	13,344	-	-	9,041	9,041	-	-	9,041
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-X040-00	44,000	-	20,621	17,699	2,922	-	20,621	20,621	-	-	20,621
ARRA - Federal Transit Formula Grant	20.507	DOT	ARRA-WI-96-0017	1,477,951	-	291,288	291,288	-	-	291,288	291,288	-	-	291,288
Total Federal Transit Formula Grants					(148,950)	2,501,910	1,701,190	949,670	-	2,501,910	2,501,910	-	-	2,501,910
Federal Transit - Capital Investment Grants	20.500	DOT	WI-05-0052	1,117,605	(40,699)	1,066,057	1,044,199	62,557	-	1,066,057	1,066,057	-	-	1,066,057
Bus and Bus Facilities Formula Program	20.526	DOT	WI-34-0008-01	224,348	-	31,034	31,034	-	-	31,034	31,034	-	-	31,034
State of Good Repairs Grant Program	20.525	DOT	WI-54-0004-01	1,010,345	-	167,371	167,371	-	-	167,371	167,371	-	-	167,371
Total Federal Transit Cluster					(189,649)	3,766,372	2,943,794	1,012,227	-	3,766,372	3,766,372	-	-	3,766,372
Total U.S. Department of Transportation					(204,106)	3,793,994	2,980,075	1,018,025	-	3,793,994	3,793,994	-	-	3,793,994
<b>U.S. Department of Education</b>														
Twenty-First Century Community Learning Centers - Hawthorne 2014-2015	84.287	DPI	N/A	100,000	(17,907)	82,093	22,560	77,440	-	82,093	82,093	-	-	82,093
Twenty-First Century Community Learning Centers - Banting 2014-2015	84.287	DPI	N/A	80,000	(26,883)	53,117	27,477	52,523	-	53,117	53,117	-	-	53,117
Twenty-First Century Community Learning Centers - Hawthorne 2015-2016	84.287	DPI	N/A	100,000	-	47,014	-	47,014	-	47,014	47,014	-	-	47,014
Twenty-First Century Community Learning Centers - Banting 2015-2016	84.287	DPI	N/A	90,000	-	48,937	-	48,937	-	48,937	48,937	-	-	48,937
Total U.S. Department of Education					(44,790)	231,161	50,037	225,914	-	231,161	231,161	-	-	231,161
<b>U.S. Department of Homeland Security</b>														
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DMA	FEMA-1768-DR-WI	123,944	768	-	-	(768)	-	-	-	-	-	-
Assistance to Firefighters Grant														
EMW-2010-FO-04047	97.044	N/A	N/A	21,680	-	3,993	3,993	-	988	4,981	3,993	988	-	4,981
EMW-2011-FO-06091	97.044	N/A	N/A	120,000	-	712	712	-	-	712	712	-	-	712
Total Assistance to Firefighters Grant					-	4,705	4,705	-	988	5,693	4,705	988	-	5,693
Total U.S. Department of Homeland Security					768	4,705	4,705	(768)	988	5,693	4,705	988	-	5,693
<b>TOTAL FEDERAL PROGRAMS</b>					\$ (618,861)	\$ 4,594,858	\$ 3,775,680	\$ 1,438,039	\$ 273,158	\$ 4,868,016	\$ 4,594,858	\$ 273,158	\$ 4,868,016	

See notes to schedule of expenditures of federal and state awards.

**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

Grantor Agency / Pass-Through Agency / Program Title	State ID Number	Award Amount	Revenues						Expenditures			
			(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Expenditures	
<b>STATE PROGRAMS</b>												
<b>Wisconsin Department of Transportation</b>												
2013 Transit Operating Aids	395.104	\$ 4,343,456	\$ (301,322)	\$ -	\$ 301,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014 Transit Operating Aids	395.104	4,174,290	(352,963)	-	-	-	352,963	-	-	-	-	-
2015 Transit Operating Aids	395.104	4,077,262	-	4,006,977	3,669,534	337,443	-	-	4,006,977	4,006,977	-	4,006,977
2015 Paratransit Aids Through 85.205	395.104	86,451	-	86,451	86,451	-	-	-	86,451	86,451	-	86,451
Total Wisconsin Department of Transportation			(654,285)	4,093,428	4,057,307	690,406	-	-	4,093,428	4,093,428	-	4,093,428
<b>Wisconsin Department of Natural Resources</b>												
Urban Forestry Grant Program	370.587	14,736	(6,475)	-	6,475	-	-	-	-	-	-	-
Urban Nonpoint Source and Stormwater Grants	370.TH1	150,000	(29,298)	71,323	-	100,621	87,171	158,494	71,323	87,171	158,494	158,494
Total Wisconsin Department of Natural Resources			(35,773)	71,323	6,475	100,621	87,171	158,494	71,323	87,171	158,494	158,494
<b>Wisconsin Department of Health Services</b>												
2015 EMS Funding Assistance Program	435.119	9,991	-	9,991	9,991	-	-	9,991	9,991	-	-	9,991
Total Wisconsin Department of Health Services			-	9,991	9,991	-	-	9,991	9,991	-	-	9,991
<b>TOTAL STATE PROGRAMS</b>			<b>\$ (690,058)</b>	<b>\$ 4,174,742</b>	<b>\$ 4,073,773</b>	<b>\$ 791,027</b>	<b>\$ 87,171</b>	<b>\$ 4,261,913</b>	<b>\$ 4,174,742</b>	<b>\$ 87,171</b>	<b>\$ 4,261,913</b>	<b>\$ 4,261,913</b>

# CITY OF WAUKESHA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2015

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### NOTE 1 – BASIS OF PRESENTATION

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The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state award activity of the City of Waukesha under programs of the federal and state government for the year ended December 31, 2015. The information in this schedule 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 schedule presents only a selected portion of the operations of the City of Waukesha, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Waukesha.

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Expenditures reported on the schedule 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. 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 – INDIRECT COST RATE

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

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### NOTE 4 – PRIOR YEAR FINDINGS

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The finding from 2014 reported as 2014-001 is still valid in 2015 and has been repeated as finding No. 2015-001. The findings reported as 2014-002 and 2014-003 were resolved.

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### NOTE 5 – PASS-THROUGH GRANTORS

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Federal funds have been passed through the following grantors:

- WC – Waukesha County
- DOT – Wisconsin Department of Transportation
- DMA – Wisconsin Department of Military Affairs
- DPI – Wisconsin Department of Public Instruction

# CITY OF WAUKESHA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2015

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### **NOTE 6 – COMMUNITY DEVELOPMENT BLOCK GRANT ADJUSTMENT**

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The City of Waukesha Community Development Block Grant (CDBG) program had been sending program income received to the County. The County held the City's program income on behalf of the City, until the City had expenditures that could be reimbursed by the program income. In 2016, the County changed its process for program income. The City still sends program income collected to the County, however, the County now requires the City to re-apply to get these funds. Therefore, the City adjusted the beginning accrued balance on the schedule of awards on the program income line of the City's CDBG award to reflect this change.

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

### SECTION I – SUMMARY OF AUDITORS’ RESULTS

#### *FINANCIAL STATEMENTS*

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?             yes        X   no

#### *FEDERAL OR 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>      </u> yes <u>  X  </u> none reported | <u>      </u> yes <u>  X  </u> none reported |

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?             yes      X   no

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  X  </u> no	<u>      </u> yes <u>  X  </u> no

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	\$    750,000	\$    250,000

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
20.500/20.507/20.525/20.526	Entitlement Grants Federal Transit Cluster

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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### SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

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#### *FEDERAL OR STATE AWARDS (cont.)*

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

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

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#### *FINDING No. 2015-001: INTERNAL CONTROL OVER FINANCIAL REPORTING*

##### *Repeat of Finding 2014-001*

**Criteria:** Statement on Auditing Standards No. 115 requires communication of significant deficiencies and material weaknesses in the year end reporting process.

**Condition:** We as your auditors prepared your annual financial statements and identified one material journal entry.

**Cause:** The City staff was not able to identify a certain adjustment to the City's books and do not presently have the necessary time needed to prepare the financial statements, in accordance with generally accepted accounting principles. Accordingly, the City presently contracts with its audit firm to perform this function.

**Effect:** Preparation of the year end financial statements is not currently done. There was one material adjustment to the City's books.

**Recommendation:** Management should evaluate if the benefits achieved by resolving this internal control deficiency warrants the additional cost to hire additional finance staff to achieve the goal of having its external financial statements prepared by City personnel and to identify all necessary adjustments .

**Management's Response:** The City recognized that this is a material weakness and addressed the staffing level needs to be able to prepare financial statements.

**Corrective Action:** For the year ending 2015 statements, the City Finance department did review the financial statements thoroughly despite not preparing them. The material misstatement was in conjunction with not recognizing the funds relating to the US Hwy 18 Jurisdictional Transfer. This was researched with the State for reporting purposes and recorded properly in cooperation with Baker Tilly. The City Finance department is now fully staffed and is excited about taking over the preparation of the financial statements for the year ending December 31, 2016.

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

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No findings were reported.

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### SECTION IV – OTHER ISSUES

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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

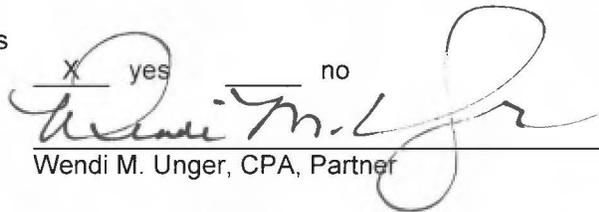
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation	_____	yes	<u> X </u>	no
Department of Public Instruction	_____	yes	<u> X </u>	no
Department of Military Affairs	_____	yes	<u> X </u>	no
Department of Natural Resources	_____	yes	<u> X </u>	no
Department of Health Services	_____	yes	<u> X </u>	no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

X  yes      \_\_\_\_\_ no

4. Name and signature of partner

  
\_\_\_\_\_  
Wendi M. Unger, CPA, Partner

5. Date of report

September 19, 2016