

CITY OF WAUKESHA

Waukesha, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2014

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 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, 2014, 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 6, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. This material weakness is item 2014-001.

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



Milwaukee, Wisconsin
July 6, 2015

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

Independent Auditors' Report

To the 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 Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Waukesha's major federal and major state programs for the year ended December 31, 2014. 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of 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 program for the year ended December 31, 2014.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal and major state program is not modified with respect to this matter.

City of Waukesha's Response to the Finding

The City of Waukesha's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 compliance 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 OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

To the Common Council
City of Waukesha

City of Waukesha's Response to the Finding

The City of Waukesha's response to the internal control over compliance 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 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 OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

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

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, 2014, 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 6, 2015, 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 OMB Circular A-133 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 8, 2015, except for our report on the schedule of expenditures
of federal and state awards, for which the date is July 6, 2015.

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2014

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
FEDERAL PROGRAMS													
U.S. Department of Housing and Urban Development													
Community Development Block Grant/Entitlement Grants													
2012	14.218	WC	N/A	\$ 187,206	\$ (112,918)	\$ 1,863	\$ 110,799	\$ 3,982	\$ -	\$ 1,863	\$ 1,863	\$ -	\$ 1,863
2013	14.218	WC	N/A	200,135	(53,762)	123,923	104,745	72,940	-	123,923	123,923	-	123,923
2014	14.218	WC	N/A	437,000	-	139,110	38,500	100,610	-	139,110	139,110	-	139,110
Program income	14.218	WC	N/A	-	(103,177)	36,103	-	139,280	-	36,103	36,103	-	36,103
Total Community Development Block Grant/Entitlement Grants					(269,857)	300,999	254,044	316,812	-	300,999	300,999	-	300,999
Lead-Based Paint Hazard Control in Privately-Owned Property	14.900	N/A	N/A	1,100,000	(462,585)	216,291	531,688	147,188	172,569	388,860	216,291	172,569	388,860
Total U.S. Department of Housing and Urban Development					(732,442)	517,290	785,732	464,000	172,569	689,859	517,290	172,569	689,859
U.S. Department of Interior													
Historic Preservation Fund Grants													
2011	15.904	N/A	N/A	12,000	-	12,000	12,000	-	-	12,000	12,000	-	12,000
Total U.S. Department of Interior					-	12,000	12,000	-	-	12,000	12,000	-	12,000
U.S. Department of Justice													
Bulletproof Vest Partnership Program													
2011	16.607	N/A	N/A	36,000	-	10,035	-	10,035	10,035	20,070	10,035	10,035	20,070
Edward Byrne Memorial Justice Assistance Grant Program													
2010-DJ-BX-0565	16.738	N/A	N/A	16,355	(261)	(261)	-	-	-	(261)	(261)	-	(261)
2011-DJ-BX-2676	16.738	N/A	N/A	13,472	310	310	-	-	-	310	310	-	310
2013-DJ-BX-1097	16.738	N/A	N/A	11,611	-	11,611	11,611	-	-	11,611	11,611	-	11,611
Total Edward Byrne Memorial Justice Assistance Grant Program					49	11,660	11,611	-	-	11,660	11,660	-	11,660
Total U.S. Department of Justice					49	21,695	11,611	10,035	10,035	31,730	21,695	10,035	31,730
U.S. Department of Transportation													
Highway Safety Cluster													
State and Community Highway Safety													
2014	20.600	DOT	2014-40-05-PT	9,900	-	9,884	9,884	-	-	9,884	9,884	-	9,884
Alcohol Impaired Driving Countermeasures Incentive Grant I													
2014	20.601	DOT	2014-31-05-K8	34,900	(1,078)	27,589	28,667	-	-	27,589	27,589	-	27,589
2015	20.601	DOT	2015-31-05-K8	15,000	-	1,309	-	1,309	-	1,309	1,309	-	1,309
2015	20.601	DOT	2015-31-05-K8	10,000	-	1,309	-	1,309	-	1,309	1,309	-	1,309
Total Highway Safety Cluster					(1,078)	40,091	38,551	2,618	-	40,091	40,091	-	40,091

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2014

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
FEDERAL PROGRAMS (cont.)													
U.S. Department of Transportation (cont.)													
Highway Planning and Construction	20.205	DOT	1693-47-00	\$ 220,720	\$ -	\$ 11,839	\$ -	\$ 11,839	\$ -	\$ 11,839	\$ 11,839	\$ -	\$ 11,839
Federal Transit Cluster													
Federal Transit Formula Grants													
WI-90-0545	20.507	DOT	N/A	1,108,365	(5,281)	30,341	35,622	-	-	30,341	30,341	-	30,341
WI-90-0589	20.507	DOT	N/A	994,169	(9,942)	8,303	18,245	-	-	8,303	8,303	-	8,303
WI-90-0649	20.507	DOT	N/A	967,563	(9,677)	9,852	19,529	-	-	9,852	9,852	-	9,852
WI-90-0568	20.507	DOT	N/A	1,055,421	(10,629)	3,746	14,375	-	-	3,746	3,746	-	3,746
WI-90-0749	20.507	DOT	N/A	1,027,910	(250,361)	27,911	276,879	-	1,593	27,911	27,911	-	27,911
WI-90-X771-000	20.507	DOT	N/A	1,001,661	-	988,202	845,148	-	143,054	988,202	988,202	-	988,202
ARRA-WI-96-0017	20.507	DOT	N/A	1,477,951	(2,960)	95	3,055	-	-	95	95	-	95
Total Federal Transit Formula Grants					(288,850)	1,068,450	1,212,653	144,647	-	1,068,450	1,068,450	-	1,068,450
Federal Transit - Capital Investment Grants	20.500	N/A	N/A	1,117,605	-	40,761	62	40,699	-	40,761	40,761	-	40,761
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-0035	71,500	(1,593)	26,696	23,986	4,303	-	26,696	26,696	-	26,696
Total Federal Transit Cluster					(290,443)	1,135,907	1,236,701	189,649	-	1,135,907	1,135,907	-	1,135,907
Total U.S. Department of Transportation					(291,521)	1,187,837	1,275,252	204,106	-	1,187,837	1,187,837	-	1,187,837
U.S. Department of Education													
Twenty-First Century Community Learning Centers	84.287	N/A	N/A	100,000	(27,169)	72,831	100,000	-	-	72,831	72,831	-	72,831
Twenty-First Century Community Learning Centers	84.287	N/A	N/A	100,000	-	17,907	-	17,907	-	17,907	17,907	-	17,907
Twenty-First Century Community Learning Centers	84.287	N/A	N/A	80,000	-	26,883	-	26,883	-	26,883	26,883	-	26,883
Total U.S. Department of Education					(27,169)	117,621	100,000	44,790	-	117,621	117,621	-	117,621
U.S. Department of Homeland Security													
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DMA	FEMA-1768-DR-WI	123,944	768	-	-	(768)	-	-	-	-	-
Total U.S. Department of Homeland Security					768	-	-	(768)	-	-	-	-	-
U.S. Environmental Protection Agency													
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DNR	N/A	186,267	(124,178)	62,089	186,267	-	-	62,089	62,089	-	62,089
Total U.S. Environmental Protection Agency					(124,178)	62,089	186,267	-	-	62,089	62,089	-	62,089
U.S. Election Assistance Commission													
Help America Vote Act Requirements Payments	90.401	GAB	N/A	11,600	-	11,600	11,600	-	-	11,600	11,600	-	11,600
Total U.S. Election Assistance Commission					-	11,600	11,600	-	-	11,600	11,600	-	11,600
TOTAL FEDERAL PROGRAMS					\$ (1,174,493)	\$ 1,930,132	\$ 2,382,462	\$ 722,163	\$ 182,604	\$ 2,112,736	\$ 1,930,132	\$ 182,604	\$ 2,112,736

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2014

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	
STATE PROGRAMS												
Wisconsin Department of Transportation												
2009 Transit Operating Aids	395.104	\$ 4,777,366	\$ (17,901)	\$ 20,169	\$ 38,070	\$ -	\$ -	\$ 20,169	\$ 20,169	\$ -	\$ 20,169	
2010 Transit Operating Aids	395.104	4,521,788	(452,191)	-	452,191	-	-	-	-	-	-	
2011 Transit Operating Aids	395.104	4,725,241	(472,525)	-	472,525	-	-	-	-	-	-	
2012 Transit Operating Aids	395.104	4,242,261	(422,855)	-	422,855	-	-	-	-	-	-	
2013 Transit Operating Aids	395.104	4,343,456	(373,052)	(71,730)	-	301,322	-	(71,730)	(71,730)	-	(71,730)	
2014 Transit Operating Aids	395.104	4,174,290	-	4,109,826	3,756,863	352,963	-	4,109,826	4,109,826	-	4,109,826	
2014 Paratransit Aids Through 85.205	395.104	97,958	-	97,957	97,957	-	-	97,957	97,957	-	97,957	
Total Wisconsin Department of Transportation			(1,738,524)	4,156,222	5,240,461	654,285	-	4,156,222	4,156,222	-	4,156,222	
Wisconsin Department of Natural Resources												
Acquisition and Development of Local Parks	370.TA10	249,650	(144,650)	-	144,650	-	-	-	-	-	-	
Urban Forestry Grant Program	370.587	14,736	-	6,475	-	6,475	6,475	12,950	6,475	6,475	12,950	
Urban Nonpoint Source and Stormwater Grants	370.TH1	150,000	-	29,298	-	29,298	35,809	65,107	29,298	35,809	65,107	
Total Wisconsin Department of Natural Resources			(144,650)	35,773	144,650	35,773	42,284	78,057	35,773	42,284	78,057	
Wisconsin Department of Health Services												
2014 EMS Funding Assistance Program	435.119	12,527	-	12,527	12,527	-	-	12,527	12,527	-	12,527	
Total Wisconsin Department of Health Services			-	12,527	12,527	-	-	12,527	12,527	-	12,527	
TOTAL STATE PROGRAMS			\$ (1,883,174)	\$ 4,204,522	\$ 5,397,638	\$ 690,058	\$ 42,284	\$ 4,246,806	\$ 4,204,522	\$ 42,284	\$ 4,246,806	

CITY OF WAUKESHA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Waukesha under programs of the federal and state government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 – PRIOR YEAR FINDINGS

The finding from 2013 reported as 2013-001 is still valid in 2014 and has been repeated as finding No. 2014-001. The findings reported as 2013-002 and 2013-003 were resolved.

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- WC – Waukesha County
- DOT – Wisconsin Department of Transportation
- DMA – Wisconsin Department of Military Affairs
- DNR – Wisconsin Department of Natural Resources
- GAB – Government Accountability Board

CITY OF WAUKESHA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2014

NOTE 5 – TRANSIT ADJUSTMENT

The City of Waukesha transit program conservatively had been recognizing state revenue based on the state and federal total revenue being limited to 56% of expenses, while the city's grant agreement allowed 60% of expenses to be funded by the state and federal grants. During 2014, the DOT conducted their closeout audits for the 2010-2012 operating aids using the 60% reimbursement rate as provided in the grant contract. The beginning accrual column in the schedule of expenditures of federal awards recognizes the additional 4% to be received by the City from the State of Wisconsin.

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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> X </u> yes <u> </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> no | <u> </u> yes <u> X </u> no |

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

	Federal Programs	State Programs
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u> X </u> yes <u> </u> no	<u> </u> yes <u> X </u> 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

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	Entitlement Grants Federal Transit Cluster

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000	\$ 100,000

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

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

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

FINDING No. 2014-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

Cause: The City’s personnel 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.

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.

Management’s Response/Corrective Action: The City recognized that this is a material weakness and addressed the staffing level needs to be able to prepare financial statements. However, actually filling those positions won’t happen until the 2nd half of 2015. The City Finance Department will continue to work towards the goal of preparing its own financial statements. In the meantime, it is important to note that City staff does review the prepared financial statements for accuracy and conformity with General Accepted Accounting Principles.

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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

FINDING 2014-002: 14.218, COMMUNITY DEVELOPMENT BLOCK GRANT/ENTITLEMENT GRANTS, PASSED THROUGH WAUKESHA COUNTY, WISCONSIN

Criteria: According to Statement on Auditing Standards (SAS) Nos. 104-111, collectively known as the risk assessment standards, sufficient internal accounting controls should be in place that mitigate the risk of material misstatement in the financial records due to fraud or error.

Condition: A certain cash draw was not reviewed by someone other than the preparer before it was submitted.

Questioned Costs: None noted.

Context: Out of the two cash draws tested, one cash draw prepared and submitted to the County was not reviewed and approved by someone other than the preparer before it was submitted.

Effect: The cash draw could contain errors.

Recommendation: We recommend that someone other than the preparer of the cash draw review the draw request before it is submitted to the County.

Management's Response/Corrective Action Plan: A procedural change has been made requiring all grant draws be submitted to the Finance Department for review and approval before being submitted to the grant agency. All employees handling CDBG grant funds have been notified of this requirement.

FINDING 2014-003: 14.218, COMMUNITY DEVELOPMENT BLOCK GRANT/ENTITLEMENT GRANTS, PASSED THROUGH WAUKESHA COUNTY, WISCONSIN

Criteria: The City is required, per the grant agreement with the County, to complete a mid-year and annual report that contains demographic information and updates towards the City's program goals. These reports assist the County in completing their required federal reports.

Condition: Performance reporting required by the County had not been completed for one CDBG project at the City.

Questioned Costs: None noted.

Context: Out of the four performance reports selected for testing, one report had not been completed as required.

Effect: The County may not have the data they need to complete reporting to the Federal government.

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2014

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

FINDING 2014-003: 14.218, COMMUNITY DEVELOPMENT BLOCK GRANT/ENTITLEMENT GRANTS, PASSED THROUGH WAUKESHA COUNTY, WISCONSIN (cont.)

Recommendation: We recommend that the required reports are completed timely per the agreement with the County.

Management's Response/Corrective Action Plan: The Community Development Director has asked the County to include her on their notification list for these reporting requests. When the Director receives a request from the County for the reports, the Director will follow up with each grantee to ensure compliance.

SECTION IV – OTHER ISSUES

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

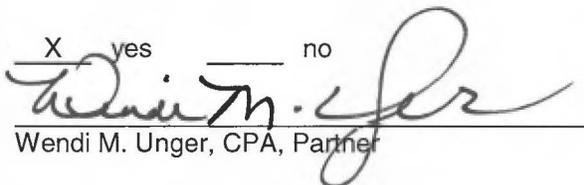
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in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

Department of Transportation	_____	yes	<u> X </u>	no
Department of 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 8, 2015