

CITY OF WAUKESHA

Waukesha, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2018

CITY OF WAUKESHA

TABLE OF CONTENTS For the Year Ended December 31, 2018

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance for Each Major Federal and Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	3 – 5
Schedule of Expenditures of Federal and State Awards	6 – 8
Notes to Schedule of Expenditures of Federal and State Awards	9
Schedule of Findings and Questioned Costs	10 – 11

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, 2018, 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 26, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 26, 2019

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, 2018. 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, 2018.

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, 2018, 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 26, 2019, 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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
September 18, 2019, except for our report on the schedule of expenditures
of federal and state awards, for which the date is July 26, 2019.

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2018

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Expenditures			
					Grantor	Local	Total	Subrecipients
FEDERAL PROGRAMS								
U.S. Department of Housing and Urban Development								
CDBG - Entitlement Grants Cluster								
Community Development Block Grant/Entitlement Grants								
2014	14.218	WC	PS1400X	\$ 392,422	\$ 7,485	\$ -	\$ 7,485	\$ -
2015	14.218	WC	PS1500X	282,249	22,256	-	22,256	-
2016	14.218	WC	PS1600X	184,119	8,422	-	8,422	-
2017	14.218	WC	PS1700X	217,501	44,998	-	44,998	-
2018	14.218	WC	PS1800X	222,557	170,492	-	170,492	-
Total CDBG - Entitlement Grants Cluster					253,653	-	253,653	-
ARRA - Neighborhood Stabilization Program	14.256	WC	N/A	54,200	54,200	-	54,200	-
Total U.S. Department of Housing and Urban Development					307,853	-	307,853	-
U.S. Department of Justice								
2017 Bulletproof Vest Partnership Program	16.607	N/A	N/A	10,067	5,062	5,062	10,124	-
Total Bulletproof Vest Partnership Program					5,062	5,062	10,124	-
Edward Byrne Memorial Justice Assistance 2017-DJ-BX-0113	16.738	N/A	N/A	10,091	10,091	-	10,091	-
Total Edward Byrne Memorial Justice Assistance Grant Program					10,091	-	10,091	-
Total U.S. Department of Justice					15,153	5,062	20,215	-

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, 2018

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Expenditures			
					Grantor	Local	Total	Subrecipients
U.S. Department of Transportation								
Highway Planning and Construction Cluster								
Recreational Trails Program	20.219	DNR	RTA-582-13.3	\$ 200,000	\$ 154,963	\$ 154,963	\$ 309,926	\$ -
Total Highway Planning and Construction Cluster					<u>154,963</u>	<u>154,963</u>	<u>309,926</u>	<u>-</u>
Federal Transit Cluster								
Federal Transit Formula Grant	20.507	DOT	WI-2016-006-00	935,450	11,028	-	11,028	-
Federal Transit Formula Grant	20.507	DOT	WI-2018-015-00	1,084,182	1,047,147	-	1,047,147	-
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-2016-006-00	392,000	6,163	-	6,163	-
Total Federal Transit Formula Grants					<u>1,064,338</u>	<u>-</u>	<u>1,064,338</u>	<u>-</u>
State of Good Repair Grants Program	20.525	DOT	WI-2016-030	104,476	29,471	-	29,471	-
Total State of Good Repair Grants Program					<u>29,471</u>	<u>-</u>	<u>29,471</u>	<u>-</u>
Public Transportation Emergency Relief Program	20.526	DOT	WI-2016-006-00	465,172	18,118	-	18,118	-
Bus and Bus Facilities Formula Program	20.526	DOT	WI-2017-032	55,404	48,103	-	48,103	-
Bus and Bus Facilities Formula Program	20.526	DOT	WI-2018-015-00	37,757	18,731	-	18,731	-
Section 5339 - Capital Investment	20.526	DOT	WI-34-0008-01	646,400	646,400	-	646,400	-
Total Bus and Bus Facilities Formula Program					<u>731,352</u>	<u>-</u>	<u>731,352</u>	<u>-</u>
Total Federal Transit Cluster					<u>1,825,161</u>	<u>-</u>	<u>1,825,161</u>	<u>-</u>
Total U.S. Department of Transportation					<u>1,980,124</u>	<u>154,963</u>	<u>2,135,087</u>	<u>-</u>
U.S. Department of Education								
Twenty-First Century Community Learning Centers - Hawthorne 2017-2018	84.287	DPI	2018-677688-21st Century CLC-367	100,000	53,850	-	53,850	-
Twenty-First Century Community Learning Centers - Banting 2017-2018	84.287	DPI	2018-677688-21st Century CLC-367	100,000	56,717	-	56,717	-
Twenty-First Century Community Learning Centers - Banting 2018-2019	84.287	DPI	2019-677688-21st Century CLC-367	100,000	46,253	-	46,253	-
Total U.S. Department of Education					<u>156,820</u>	<u>-</u>	<u>156,820</u>	<u>-</u>
Institute of Museum and Library Services								
Grants to States - LSTA - Connect & Create: Students as Comm Members	45.310	DPI	2019 LSTA Connect and Create-251	6,000	6,000	-	6,000	-
Total Institute of Museum and Library Services					<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
TOTAL FEDERAL PROGRAMS					<u>\$ 2,465,950</u>	<u>\$ 160,025</u>	<u>\$ 2,625,975</u>	<u>\$ -</u>

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, 2018

Grantor Agency / Pass-Through Agency / Program Title	State ID Number	Award Amount	Expenditures		
			Grantor	Local	Expenditures
STATE PROGRAMS					
Wisconsin Department of Transportation					
2016 Transit Operating Aids	395.104	\$ 4,185,571	\$ 5,742	\$ -	\$ 5,742
2018 Transit Operating Aids	395.104	3,828,949	3,828,949	-	3,828,949
2018 Paratransit Aids Through 85.205	395.104	85,154	85,154	-	85,154
Total Wisconsin Department of Transportation			3,919,845	-	3,919,845
Wisconsin Department of Natural Resources					
Knowles-Nelson Stewardship Program	370.TZ1	41,475	41,475	41,475	82,950
Total Wisconsin Department of Natural Resources			41,475	41,475	82,950
Wisconsin Department of Health Services					
2018 EMS Funding Assistance Program	435.119	9,234	9,234	-	9,234
Total Wisconsin Department of Health Services			9,234	-	9,234
TOTAL STATE PROGRAMS			\$ 3,970,554	\$41,475	\$ 4,012,029

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

CITY OF WAUKESHA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

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, 2018. 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.

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 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.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- WC – Waukesha County
- DOT – Wisconsin Department of Transportation
- DNR – Wisconsin Department of Natural Resources
- DPI – Wisconsin Department of Public Instruction

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

	Federal Programs	State Programs
> Material weakness(es) identified?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no
> Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </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 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

 yes X no yes X no

Auditee qualified as low-risk auditee?

 X yes no X yes no

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000 \$ 250,000

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507/20.525/20.526	Federal Transit Cluster

Identification of major state programs:

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

CITY OF WAUKESHA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2018

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

No findings were reported.

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

No findings were reported.

SECTION IV – OTHER ISSUES

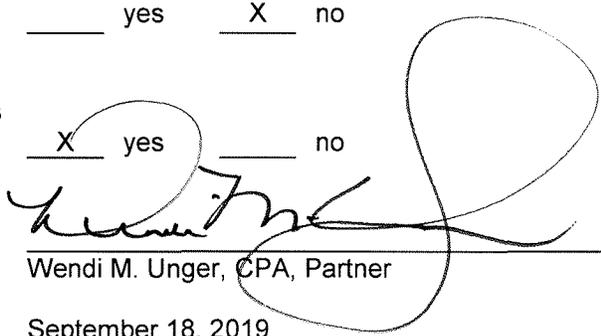
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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 Health Services	_____	yes	<u> X </u>	no
Department of Transportation	_____	yes	<u> X </u>	no
Department of Natural Resources	_____	yes	<u> X </u>	no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

Name and signature of partner



Wendi M. Unger, CPA, Partner

Date of report

September 18, 2019