

CITY OF WAUSAU
Wausau, Wisconsin

SINGLE AUDIT REPORT
December 31, 2009



Clifton
Gunderson LLP
Certified Public Accountants & Consultants

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**Independent Auditor's 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 Honorable Mayor and
Members of the Common Council
City of Wausau, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Wausau, Wisconsin, as of and for the year ended December 31, 2009, which collectively comprise City of Wausau, Wisconsin's basic financial statements and have issued our report thereon dated June 23, 2010. 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 City of Wausau, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Wausau, Wisconsin's 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*.

This report is intended solely for the information and use of the Common Council, management, and 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.

Clifton Gunderson LLP

Stevens Point, Wisconsin
June 23, 2010

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance and the Schedule of Expenditures of Federal Awards
in Accordance with OMB Circular A-133**

To the Honorable Mayor and
Members of the Common Council
City of Wausau, Wisconsin

Compliance

We have audited the compliance of City of Wausau, Wisconsin, with the types of compliance requirements described in *the OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. City of Wausau, Wisconsin's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Wausau, Wisconsin's management. Our responsibility is to express an opinion on City of Wausau, Wisconsin'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about City of Wausau, Wisconsin'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 of City of Wausau, Wisconsin's compliance with those requirements.

In our opinion, City of Wausau, Wisconsin, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3 and 2009-4.

Internal Control Over Compliance

The management of City of Wausau, Wisconsin, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Wausau, Wisconsin's internal control over compliance with the requirements that could have a direct and material effect on a major federal 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, 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 entity'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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness. We also identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-2, 2009-3 and 2009-4. *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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

City of Wausau, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of federal findings and questioned costs. We did not audit City of Wausau, Wisconsin's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Wausau, Wisconsin, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 23, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of Wausau, Wisconsin's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 Common Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Stevens Point, Wisconsin
September 20, 2010
(except for the Schedule of Expenditures of Federal
Awards, as to which the date is June 23, 2010)

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2009

CFDA Number	Accrued or (Deferred) Revenues at January 1, 2009	Expenditures	Reimbursements		Transfers/ Adjustments	Accrued or (Deferred) Revenues at December 31, 2009
			Grantor	Local/ Other		
20.507	\$ 67,312	\$ 3,716,234	\$ 67,312	\$ 2,277,961	\$ -	\$ 1,438,273
FEDERAL AWARDS PROGRAMS						
PRIMARY GOVERNMENT						
U.S. Department of Transportation						
Federal Transit - Formula Grants						
(Urbanized Area Formula Program)						
Passed through the WI Department of Transportation						
20.509	35,134	2,998,067	2,171,620	645,840	-	215,741
20.600	675	31,609	24,550	6,429	-	1,305
20.601	1,867	23,495	17,521	4,534	-	3,307
	104,988	6,769,405	2,281,003	2,934,764	-	1,658,626
Total U.S. Department of Transportation						
U.S. Department of Housing and Urban Development						
Community Development Block Grant						
14.218	57,832	724,206	647,828	-	-	134,210
14.253	-	186,737	-	-	-	186,737
Passed through the WI Department of Commerce						
14.228	-	228,713	236,610	-	-	(7,897)
14.239	40,966	209,961	104,966	6,318	-	139,663
Total U.S. Department of Housing and Urban Development						
	98,798	1,349,637	989,404	6,318	-	452,713
U.S. Department of Justice						
Bulletproof Vest Partnership Program						
16.607	-	34,490	17,150	17,340	-	-
16.738	29,554	33	29,554	-	-	33
Total U.S. Department of Justice						
	29,554	34,523	46,704	17,340	-	33
Total federal award programs - Primary Government						
	233,340	8,153,665	3,317,111	2,958,422	-	2,111,372

CITY OF WAUSAU, WISCONSIN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2009

CFDA Number	Accrued or (Deferred) Revenues at January 1, 2009	Expenditures	Reimbursements		Transfers/ Adjustments	Accrued or (Deferred) Revenues at December 31, 2009
			Grantor	Local/ Other		
14.871	\$ -	\$ 1,252,315	\$ 1,032,414	\$ 219,901	\$ -	\$ -
		116,523	116,523	-	-	-
14.195	-	198,909	198,909	-	-	-
14.850	-	279,319	279,319	-	-	-
14.872	32,238	55,371	87,609	-	-	-
	-	66,778	66,778	-	-	-
	15,793	177,987	184,023	-	-	9,757
14.885	-	74,588	74,588	-	-	-
14.246	(68,090)	-	-	-	-	(68,090)
	(20,059)	2,221,790	2,040,163	219,901	-	(58,333)
	\$ 213,281	\$ 10,375,355	\$ 5,357,274	\$ 3,178,323	\$ -	\$ 2,053,039

FEDERAL AWARDS PROGRAMS
 COMPONENT UNIT - COMMUNITY DEVELOPMENT AUTHORITY
 U.S. Department of Housing and Urban Development
 Section 8 Housing Choice Vouchers:

- 2009
- 2009 - WHEDA vouchers
- Section 8 Housing Assistance Payments Program
- 2009 - project #263
- Public and Indian Housing:
- 2009 operation
- Public Housing Capital Funds:
- 2005 Capital Fund Program No. W139P031501-05
- 2007 Capital Fund Program No. W139P031501-07
- 2008 Capital Fund Program No. W139P031501-08
- Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded:
- 2009 CFRG Fund Program No. W139S031501-09

- Community Development Block Grants:
- 2004 EDI Special Project No. B-04-SP-WI-0894
- Total federal award programs - Component Unit

TOTAL FEDERAL AWARDS

This schedule should be read only in connection with the accompanying notes to the schedule.

CITY OF WAUSAU, WISCONSIN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2009

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City of Wausau, Wisconsin's federal award programs and does not present transactions that would be included in basic financial statements of the City as contemplated by generally accepted accounting principles.

Unless otherwise noted, the City provided matching funds in accordance with the federal requirements.

This information is an integral part of the accompanying schedule.

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
 Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 • Material weakness(es) identified? X yes _____ no
 • Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ 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 section 510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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City of Wausau - Primary Government

20.507	<u>Federal Transit - Formula Grants (Urbanized Area Formula Program)</u>
20.509	<u>Formula Grants for Other Than Urbanized Areas</u>
14.218	<u>Community Development Block Grants/Entitlement Grants</u>
	<u>Community Development Block Grant ARRA Entitlement Grants (CDBG-R)</u>
14.253	<u>Recovery Act Funded</u>

Wausau Community Development Authority -Component Unit

14.871	<u>Section 8 Housing Choice Vouchers</u>
14.872	<u>Public Housing Capital Fund (CFP)</u>
14.885	<u>Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded</u>

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

None noted.

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section III—Federal Award Findings and Questioned Costs

Finding No. 2009-1 - Internal Controls Over Compliance with Federal Programs

DEPARTMENT OF TRANSPORTATION

Federal Transit - Formula Grants (Urbanized Area Formula Program) - CFDA # 20.507

Condition and Criteria:

During the FTA's Triennial review of the City conducted prior to the start of our fieldwork, it was noted that: 1) The City provides 5307 funds to Marathon County as a sub recipient to provide demand responsive service in the urbanized area of the County. The City is responsible for ensuring that the sub recipient is in full compliance with FTA's rules and regulations. The City does not have adequate oversight procedures of Marathon County. 2) Grantees are responsible for overseeing the drug and alcohol programs for a sub recipient with safety sensitive employees. The City does not have a process to monitor the drug and alcohol program for the safety sensitive transit employees of Marathon County.

The grantee must be able to implement the FTA-funded projects in accordance with the grant application, Master Agreement, and all applicable laws and regulations, using sound management practices. Grantees receiving Urbanized Area Formula Program (Section 5307), Non-Urbanized Area Formula Program (Section 5311), or Capital Investment Program (Section 5309) funds must have a drug and alcohol testing program in place for all safety-sensitive employees.

Questioned Costs:

No questioned costs.

Effect:

The City does not have adequate oversight procedures of Marathon County to ensure that the service provided is in full compliance with FTA requirements, such as ADA, cost allocation plan, and proper use of FTA funds. The City does not have a process to monitor the drug and alcohol program for the safety sensitive transit employees of Marathon County.

Cause:

The City does not have oversight procedures in place.

Recommendation:

As required by the corrective action and schedule from the Triennial review, by September 10, 2010, the City must develop and submit to FTA Region 5 procedures to monitor the transit service provided by Marathon County to ensure that it meets all FTA requirements and the City must submit a drug & alcohol oversight program for Marathon County.

**CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section III—Federal Award Findings and Questioned Costs (Continued)

**Finding No. 2009-1 - Internal Controls Over Compliance with Federal Programs
(Continued)**

Response:

On September 1, 2010 the City of Wausau/Wausau Area Transit System submitted to the FTA, Guidelines and Procedures for Monitoring Subrecipients and Contractors. The document addresses oversight procedures for all FTA programs, including drug and alcohol testing. Additionally, on September 8, 2010 an updated drug/alcohol testing policy for Marathon County/North Central Health Care was submitted for review

Finding No. 2009-2 - Internal Controls Over Compliance with Federal Programs

DEPARTMENT OF TRANSPORTATION

Federal Transit - Formula Grants (Urbanized Area Formula Program) - CFDA # 20.507

Condition and Criteria:

During the FTA's Triennial review of the City conducted prior to the start of our fieldwork, it was noted that the City provides charter services under the exception for qualified human services organizations. Grantees providing charter services under this exception must post the required records on the FTA charter website within 30 days of the end of each calendar quarter. The City did not post the required records on the FTA charter website.

FTA grantees are prohibited from using federally funded equipment and facilities to provide charter service if a registered private charter operator expresses interest in providing the service. Grantees are allowed to operate community based charter services excepted under the regulations.

Questioned Costs:

No questioned costs.

Effect:

The City did not post the required records on the FTA charter website.

Cause:

FTA revised its charter service regulation on January 14, 2008 (73 FR 2345, effective on April 30, 2008). The City did not follow the revised guidelines.

Recommendation:

As required by the corrective action and schedule from the Triennial review, by July 30, 2010, the City must submit to FTA Region 5 procedures for submitting the required information for all applicable charter service exceptions on time and provide documentation that information has been posted for the months of April, May, and June, if required.

**CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section III—Federal Award Findings and Questioned Costs (Continued)

**Finding No. 2009-2 - Internal Controls Over Compliance with Federal Programs
(Continued)**

Response:

The City of Wausau/Wausau Area Transit System had procedures in place prior to the triennial review to collect the required information for all applicable charter service exceptions. However, the information had not been posted on the FTA website. On July 27, 2010 quarterly reports for the months January through June 2010 were post to the website and submitted via email.

Finding No. 2009-3 - Internal Controls Over Compliance with Federal Programs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant: Entitlement Grants - CFDA # 14.218

Condition and Criteria:

During HUD's review of the City's 2008 CDBG Homeowner Rehabilitation Program conducted prior to the start of our fieldwork, it was noted that one of the properties did not meet code as required under the City's Program. Specifically no railing at the basement stairway, which presented a potential hazard. A railing should have been installed as part of the project, but was not addressed.

This is in violation of the City of Wausau's Housing Rehabilitation Program Guidelines, which requires code compliance in assisted properties. Specifically, Chapter 1, Section B (Program Objectives) requires the City to eliminate housing conditions which are determined to health safety and public welfare through code enforcement and rehabilitation. In addition, Chapter 4, Section D (Work Priorities) states that "the goal of each rehabilitation project is to have a fully code-complying residential property upon project completion." Although this is not a direct violation of the CDBG Regulations, in instances when a local requirement exceeds the HUD standards, the more stringent (local) requirements must be met.

Questioned Costs:

No questioned costs.

Effect:

As a result, the City is not in compliance with its local program requirements and the property does not meet the applicable property standards.

Cause:

The City did not ensure that all housing code violations were addressed at that property.

**CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section III—Federal Award Findings and Questioned Costs (Continued)

**Finding No. 2009-3 - Internal Controls Over Compliance with Federal Programs
(Continued)**

Recommendation:

Within 30-days of HUD's letter, the City should perform a complete follow-up inspection to identify any other code violations that may still exist at the property. All items identified above, and any additional code violations discovered by the City Inspector, must be repaired by the City within 60 days of HUD's letter, to ensure that the property is free from all code violations. All repairs must be made at no cost to the homeowners.

Response:

A new handrail was installed by a contractor at that property and after inspection of the entire property it is now in compliance and meets all applicable codes. There was no cost to the homeowner for the handrail installation. As a future assurance for program and code compliance the City is developing an in-house checklist for final inspections.

Finding No. 2009-4 - Internal Controls Over Compliance with Federal Programs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant: Entitlement Grants - CFDA # 14.218

Condition and Criteria:

During HUD's review of the City's 2008 CDBG Homeowner Rehabilitation Program conducted prior to the start of our fieldwork, it was noted that the City does not identify the cost of lead hazard reduction activities as a part of the total rehabilitation costs in the project file. This is in violation of 24 CFR 35.915.

Questioned Costs:

No questioned costs.

Effect:

The City cannot readily identify the costs of lead hazard reduction activities in a project. As a result, the required level of lead hazard reduction required under Part 35 cannot be accurately determined.

Cause:

This occurred because the City was unaware of the requirement to formally document the file with this information.

Recommendation:

The City should revise its Accounting Break-down Form to include a line item that identifies the amount of lead hazard reduction work in the project.

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section III—Federal Award Findings and Questioned Costs (Continued)

**Finding No. 2009-4 - Internal Controls Over Compliance with Federal Programs
(Continued)**

Response:

During the HUD's review, the City provided a revised Accounting Break-Down form that adequately addressed this finding. In addition, the City indicated that it would begin to immediately implement this form on all current and future projects.

**CITY OF WAUSAU, WISCONSIN
STATUS OF PRIOR YEAR FEDERAL FINDINGS
Year Ended December 31, 2009**

Finding No. 2008-1 - Preparation of Financial Statements (Component Unit)

The City of Wausau Community Development Authority (a component unit of the City of Wausau) has satisfied this finding.

Finding No. 2008-2 - Audit Adjustments (Component Unit)

The City of Wausau Community Development Authority (a component unit of the City of Wausau) has satisfied this finding.

**Finding No. 2008-3 - Internal Controls Over Compliance with Federal Programs
(Component Unit)**

The City of Wausau Community Development Authority (a component unit of the City of Wausau) has satisfied this finding.

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major State Award Program and on Internal Control Over Compliance
and the Schedule of Expenditures of State Awards
in Accordance with the *State Single Audit Guidelines***

The Honorable Mayor and
Members of the Common Council
City of Wausau, Wisconsin

Compliance

We have audited the compliance of City of Wausau, Wisconsin, with the types of compliance requirements described in the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that are applicable to each major state award program for the year ended December 31, 2009. City of Wausau, Wisconsin's major state award programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state award programs are the responsibility of City of Wausau, Wisconsin's management. Our responsibility is to express an opinion on City of Wausau, Wisconsin'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, and *State Single Audit Guidelines*. Those standards 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 state award program occurred. An audit includes examining, on a test basis, evidence about City of Wausau, Wisconsin'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 of City of Wausau, Wisconsin's compliance with those requirements.

In our opinion, City of Wausau, Wisconsin, complied, in all material respects, with the requirements referred to above that are applicable to its major state award programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of City of Wausau, Wisconsin, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state award programs. In planning and performing our audit, we considered City of Wausau, Wisconsin's internal control over compliance with the requirements that could have a direct and material effect on a 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 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 entity'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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 state program will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Wausau, Wisconsin, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 23, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of Wausau, Wisconsin's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by *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 Common Council, management, 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.

Clifton Henderson LLP

Stevens Point, Wisconsin
September 20, 2010
(except for the Schedule of Expenditures of State
Awards, as to which the date is June 23, 2010)

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended December 31, 2009

State ID Number	Accrued or (Deferred) Revenues at January 1, 2009	Expenditures	Reimbursements		Transfers/ Adjustments	Accrued or (Deferred) Revenues at December 31, 2009
			Grantor	Local/ Other		
505.603	\$ -	\$ 226,190	\$ 143,750	\$ 82,440	\$ -	\$ -
Department of Natural Resources						
370.670	-	595,163	201,981	393,182	-	-
370.687	-	65,362	30,000	31,226	-	4,136
Total Department of Natural Resources						
	-	660,525	231,981	424,408	-	4,136
Department of Military Affairs						
465.306	(118,120)	130,583	105,332	-	-	(92,869)
Department of Transportation						
395.104	170,464	3,716,234	991,293	2,932,388	(3,810)	(33,173)
TOTAL STATE AWARDS PROGRAMS-PRIMARY GOVERNMENT						
	\$ 52,344	\$ 4,733,532	\$ 1,472,356	\$ 3,439,236	\$ (3,810)	\$ (121,906)

* Tested as major state award program.

** This program is included in the schedule under the requirements of the Wisconsin Department of Natural Resources, but is not subject to testing.

This schedule should be read only in connection with the accompanying notes to the schedule.

CITY OF WAUSAU, WISCONSIN
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2009

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of state awards is a summary of the activity of the City of Wausau, Wisconsin's state award programs and does not present transactions that would be included in basic financial statements of the City as contemplated by generally accepted accounting principles.

Unless otherwise noted, the City provided matching funds in accordance with the state requirements.

This information is an integral part of the accompanying schedule.

**CITY OF WAUSAU, WISCONSIN
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified that are not considered
 to be material weaknesses? _____ yes X none
reported
 Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major programs:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified that are not considered
 to be material weakness(es)? _____ yes X no

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 the *State Single Audit Guidelines*? _____ yes X no

Identification of major programs:
ID Number(s) Name of State Program or Cluster

City of Wausau - Primary Government

395.104 Transit Operating Aids
 370.687 Brownfield Site Assessment Grant Program
 505.603 Office of Justice Assistance Uniform Beat Patrol Officers

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

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

None noted.

Section III—State Award Findings and Questioned Costs

None noted.

**CITY OF WAUSAU, WISCONSIN
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Other Issues

- Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as the auditee's ability to continue as a going concern? 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 No
 - Department of Administration No
 - Department of Natural Resources No
- Was a Management Letter or other document conveying audit comments issued as a result of this audit? No

Name and Signature of Partner

Michael S. Lensmire
Michael S. Lensmire, CPA

Date of Report

September 20, 2010

**CITY OF WAUSAU, WISCONSIN
STATUS OF PRIOR YEAR STATE FINDINGS
Year Ended December 31, 2009**

Finding No. 2008-4 - *State Identification No. 505.603 - Uniform Beat Patrol Officers
Office of Justice Assistance*

The City of Wausau, Wisconsin has satisfied this finding.