

CITY OF WAUSAU, WISCONSIN

SINGLE AUDIT REPORT

DECEMBER 31, 2010

CITY OF WAUSAU, WISCONSIN

December 31, 2010

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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**

To the City Council
City of Wausau, Wisconsin

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 Wausau, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the City of Wausau, Wisconsin's basic financial statements and have issued our report thereon dated June 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wausau, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Wausau, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wausau, Wisconsin'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 and correct 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 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 was not designed to 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 the 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 basic 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*.



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

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

Compliance

We have audited City of Wausau, Wisconsin's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010. City of Wausau, Wisconsin's major federal and state programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. 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 state 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 on 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 could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 and state 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 or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 internal control over compliance.

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

| CFDA Number | Accrued or (Deferred) Revenues at January 1, 2010 | Expenditures | Reimbursements | | Transfers/ Adjustments | Accrued or (Deferred) Revenues at December 31, 2010 |
|--|---|---------------------|---------------------|---------------------|------------------------|---|
| | | | Local/ Other | Grantor | | |
| FEDERAL AWARDS PROGRAMS | | | | | | |
| U.S. Department of Transportation | | | | | | |
| Federal Transit - Formula Grants | | | | | | |
| (Urbanized Area Formula Program) | | | | | | |
| 20.507 | \$ 1,438,273 | \$ 3,824,581 | \$ 2,429,434 | \$ 2,441,538 | \$ - | \$ 391,882 |
| Passed through the WI Department of Transportation | | | | | | |
| Formula Grants For Other Than Urbanized Areas | | | | | | |
| 20.509 | 215,741 | 11,200 | 2,240 | 215,741 | - | 8,960 |
| Passed through the WI Department of Transportation | | | | | | |
| State and Community Highway Safety | | | | | | |
| 20.600 | 1,305 | 60,855 | 17,218 | 38,140 | - | 6,802 |
| 20.601 | 3,307 | 31,980 | 7,815 | 25,000 | - | 2,472 |
| Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants | | | | | | |
| | <u>1,658,626</u> | <u>3,928,616</u> | <u>2,456,707</u> | <u>2,720,419</u> | <u>-</u> | <u>410,116</u> |
| Total U.S. Department of Transportation | | | | | | |
| U.S. Department of Housing and Urban Development | | | | | | |
| Community Development Block Grant: | | | | | | |
| Entitlement Grants | | | | | | |
| 14.218 | 134,210 | 724,668 | - | 759,909 | (925) | 98,044 |
| Community Development Block Grant ARRA Entitlement Grants | | | | | | |
| 14.253 | 186,737 | - | - | 186,737 | - | - |
| Passed through the WI Department of Commerce | | | | | | |
| Community Development Block Grants/State's Program | | | | | | |
| 14.228 | (7,897) | 659,801 | - | 615,389 | - | 36,515 |
| Home Investment Partnerships Program (Home Program) | | | | | | |
| 14.239 | 139,663 | 102,853 | 1,270 | 226,247 | - | 14,999 |
| Total U.S. Department of Housing and Urban Development | | | | | | |
| | <u>452,713</u> | <u>1,487,322</u> | <u>1,270</u> | <u>1,788,282</u> | <u>(925)</u> | <u>149,558</u> |
| U.S. Department of Justice | | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | | | | | | |
| 16.738 | - | 82,130 | 9,496 | 43,143 | - | 29,491 |
| 16.803 | 33 | 2,407 | - | 741 | - | 1,699 |
| Edward Byrne Memorial Justice Assistance Grant Program (ARRA) | | | | | | |
| | <u>33</u> | <u>84,537</u> | <u>9,496</u> | <u>43,884</u> | <u>-</u> | <u>31,190</u> |
| Total U.S. Department of Justice | | | | | | |
| U.S. Department of Energy | | | | | | |
| Energy Efficiency and Conservation Block Grant Program (ARRA) | | | | | | |
| 81.128 | - | 201,354 | 17,454 | 183,900 | - | - |
| Total federal award programs - Primary Government | | | | | | |
| | <u>\$ 2,111,372</u> | <u>\$ 5,701,829</u> | <u>\$ 2,484,927</u> | <u>\$ 4,736,485</u> | <u>\$ (925)</u> | <u>\$ 590,864</u> |

CITY OF WAUSAU, WISCONSIN
SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2010

| State ID Number | Accrued or (Deferred) Revenues at January 1, 2010 | Expenditures | Reimbursements | | Transfers/ Adjustments | Accrued or (Deferred) Revenues at December 31, 2010 |
|--|---|--------------|----------------|--------------|------------------------|---|
| | | | Grantor | Local/ Other | | |
| Department of Administration Uniform Beat Patrol Officers | \$ - | \$ 202,176 | \$ 134,926 | \$ 67,250 | - | - |
| Department of Natural Resources Recycling Programs | - | 598,519 | 212,506 | 386,013 | - | - |
| Brownfield Site Assessment | 4,136 | 1,919 | 5,000 | 1,055 | - | - |
| Total Department of Natural Resources | 4,136 | 600,438 | 217,506 | 387,068 | - | - |
| Department of Military Affairs Regional Emergency Response Teams | (92,869) | 102,564 | 105,332 | - | - | (95,637) |
| Department of Transportation Transit Operating Aids 2007 | (33,173) | 3,824,581 | 1,001,385 | 2,924,979 | 7,062 | (142,018) |
| TOTAL STATE ASSISTANCE PROGRAMS | \$ (121,906) | \$ 4,729,759 | \$ 1,459,149 | \$ 3,379,297 | \$ 7,062 | \$ (237,655) |

* Tested as major state award program.

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

CITY OF WAUSAU, WISCONSIN
Notes to the Schedules of Expenditures of Federal Awards
and Schedule of State Financial Assistance
December 31, 2010

NOTE A - BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance for City of Wausau, Wisconsin, is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the City's 2010 basic financial statements. Accrued revenue at year-end consists of federal program expenditures scheduled for reimbursement to the City in the succeeding year while deferred revenue represents advances for federal programs that exceed recorded City expenditures.

Major federal financial assistance programs are identified in the Schedule of Findings and Questioned Costs. Additional information is presented below:

Federal Programs: City of Wausau, Wisconsin, does not qualify as a low risk auditee in accordance with paragraph 530 of OMB Circular A-133. Therefore major programs represent those with combined expenditures exceeding 50% of total federal awards that also were deemed major programs based on the auditors' risk assessment. All other federal programs are considered non-major programs.

State Programs: The City of Wausau, Wisconsin, does not qualify as a low risk auditee in accordance with the *State Single Audit Guidelines*. Therefore major programs represent those with combined expenditures exceeding 50% of total state financial assistance that also were deemed major programs based on the auditor's risk assessment.

NOTE C - OVERSIGHT AGENCIES

The federal and state oversight agencies for the City follows:

Federal - U.S. Department of Transportation
State - Wisconsin Department of Transportation

CITY OF WAUSAU, WISCONSIN
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results

Basic Financial Statements

| | |
|---|---------------|
| Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None Reported |
| Noncompliance material to basic financial statements noted? | No |

Federal Awards and State Financial Assistance

| | |
|---|---------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None Reported |
| Type of auditors' 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 Circular A-133? | No |

Identification of major federal and state programs:

| CFDA Number | Name of Federal Program |
|-------------|---|
| 14.218 | Community Development Block Grant: Entitlement Grants |
| 14.228 | Community Development Block Grants/State's Program |
| 20.507 | Federal Transit - Formula Grants (Urbanized Area Formula Program) |
| 81.128 | ARRA - Energy Efficiency and Conservation Block Grant Program |

| State ID Number | Name of State Program |
|-----------------|------------------------|
| 395.104 | Transit Operating Aids |

Audit threshold used to determine between Type A and Type B programs:

| | |
|---------|-----------|
| Federal | \$300,000 |
| State | \$100,000 |

| | |
|---------------------------------------|----|
| Auditee qualified as low-risk auditee | No |
|---------------------------------------|----|

CITY OF WAUSAU, WISCONSIN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2010

Section II - Financial Statement Finding

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2010.

Section III - Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended December 31, 2010.

CITY OF WAUSAU, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended December 31, 2010

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement 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 Administration
- Department of Natural Resources
- Department of Military Affairs
- Department of Transportation

| | | | |
|-------|-----|--------------|----|
| _____ | Yes | <u> X </u> | No |
| _____ | Yes | <u> X </u> | No |
| _____ | Yes | <u> X </u> | No |
| _____ | Yes | <u> X </u> | No |

Name and signature of shareholder



 Thomas Karman, CPA

Date of report

June 2, 2011

CITY OF WAUSAU, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2010

Prior Year Audit Findings

The findings noted in the 2009 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. Deficiencies identified as 2009-01, 2009-02, 2009-03, and 2009-04 were corrected in 2010.

Corrective Action Plan

No corrective action plan is required.