

CITY OF WAUSAU, WISCONSIN

SINGLE AUDIT REPORT

DECEMBER 31, 2016

CITY OF WAUSAU, WISCONSIN

December 31, 2016

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**INDEPENDENT AUDITORS' 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, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wausau, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Wausau's basic financial statements, and have issued our report thereon dated August 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wausau, Wisconsin'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 Wausau, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wausau, Wisconsin'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wausau, Wisconsin'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 results of that testing, and not to provide an opinion on the effectiveness of City of Wausau, Wisconsin'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 City of Wausau, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Wausau, Wisconsin
August 10, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

To the City Council
City of Wausau, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the City of Wausau, Wisconsin's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) 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 the City of Wausau, Wisconsin's major federal and state programs for the year ended December 31, 2016. The City of Wausau, Wisconsin's major federal and state programs are identified in the summary of auditors' 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 Wausau, Wisconsin's major federal and 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* issued by the Wisconsin Department of Administration. Those standards, 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 state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Wausau, Wisconsin's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Wausau, Wisconsin 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 state programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the City of Wausau, Wisconsin 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 Wausau, Wisconsin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 or 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 Wausau, Wisconsin'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 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.

Report on Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wausau, Wisconsin as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Wausau, Wisconsin's basic financial statements. We issued our report thereon dated August 10, 2017, 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 awards and schedule of state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and are 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 awards and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Schorck SC

Certified Public Accountants
Wausau, Wisconsin
September 7, 2017, except for the Schedules of Expenditures
of Federal Awards and Schedule of State Financial Assistance
as to which the date is August 10, 2017.

CITY OF WAUSAU, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 1/1/16	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/16		
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>								
CDBG - Entitlement Grants Cluster								
Community Development Block Grants/Entitlement Grants	14.218	Direct	N/A	\$ (72,790)	\$ 581,270	\$ 5,301	\$ 513,781	\$ -
Community Development Block Grants/State's Program	14.228	Wisconsin Department of Administration	Unknown	(2,065)	-	2,065	-	-
Home Investment Partnerships Program (Home Program)	14.239	Wisconsin Department of Administration	Unknown	(19,935)	27,821	-	7,886	-
Total U.S. Department of Housing and Urban Development				(94,790)	609,091	7,366	521,667	-
<u>U.S. DEPARTMENT OF JUSTICE</u>								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Marathon County, WI	Unknown	(4,360)	5,126	-	766	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>								
Federal Transit Cluster								
Federal Transit - Formula Grants	20.507	Direct	N/A	(451,418)	451,418	1,057,184	1,057,184	-
Highway Safety Cluster								
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Wisconsin Department of Transportation	Unknown	(649)	6,075	4,490	9,916	-
National Priority Safety Programs	20.616	Wisconsin Department of Transportation	Unknown	-	2,624	17,153	19,777	11,586
Total Highway Safety Cluster				(649)	8,699	21,643	29,693	11,586
Total U.S. Department of Transportation				(452,067)	460,117	1,078,827	1,086,877	11,586
<u>ENVIRONMENTAL PROTECTION AGENCY</u>								
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Wisconsin Department of Natural Resources	Unknown	(14,964)	15,074	7,266	7,376	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ (566,181)	\$ 1,089,408	\$ 1,093,459	\$ 1,616,686	\$ 11,586

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF WAUSAU, WISCONSIN
 Schedule of State Financial Assistance
 For the Year Ended December 31, 2016

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payments
				(Accrued) Deferred Revenue 1/1/16	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/16		
DEPARTMENT OF NATURAL RESOURCES								
Urban Nonpoint Source & Storm Water Grants	370.658	Direct	N/A	\$ -	\$ 8,687	\$ -	\$ 8,687	\$ -
Recycling Grants to Responsible Units	370.670	Direct	N/A	-	130,131	-	130,131	-
Recycling Consolidation Grants	370.673	Direct	N/A	-	10,231	-	10,231	-
Total Department of Natural Resources				-	149,049	-	149,049	-
DEPARTMENT OF TRANSPORTATION								
Transit Operating Aids	395.104	Direct	N/A	5,072	738,832	(27,440)	716,464	-
DEPARTMENT OF JUSTICE								
Central Area Drug Task Force Group	455.225	Marathon County, WI	Unknown	-	9,088	-	9,088	-
DEPARTMENT OF MILITARY AFFAIRS								
Regional Emergency Response Teams	465.306	Direct	N/A	109,538	81,000	(142,323)	48,215	-
TOTAL STATE PROGRAMS				\$ 114,610	\$ 977,969	\$ (169,763)	\$ 922,816	\$ -

The notes to the schedule of state financial assistance are an integral part of this schedule.

CITY OF WAUSAU, WISCONSIN
Notes to the Schedule of Expenditures of Federal Awards
and Schedule of State Financial Assistance
For the Year Ended December 31, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance for City of Wausau, Wisconsin, are 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* 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 2016 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, qualifies as a low risk auditee in accordance with the Uniform Guidance. Therefore major programs represent those with combined expenditures exceeding 20% 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, qualifies as a low risk auditee in accordance with the *State Single Audit Guidelines*. Therefore major programs represent those with combined expenditures exceeding 20% 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, 2016

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
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	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal and state programs:

CFDA Number	Name of Federal Program
20.507	Federal Transit - Formula Grants (Urbanized Area Formula 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	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee	Yes
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CITY OF WAUSAU, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended December 31, 2016

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, 2016.

Section III - Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended December 31, 2016.

Section IV - Other Issues

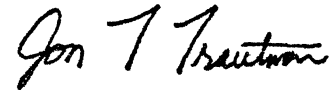
Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

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



Name and signature of shareholder

Jon Trautman, CPA

Date of report

September 7, 2017

CITY OF WAUSAU, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2016

Prior Year Audit Findings

There were no findings in the prior year.

Corrective Action Plan

No corrective action plan is required.