

CITY OF OSHKOSH, WISCONSIN

**FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE REPORT**

DECEMBER 31, 2016

CITY OF OSHKOSH, 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 Common Council
City of Oshkosh, 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 Oshkosh, 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 Oshkosh's basic financial statements, and have issued our report thereon dated August 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Oshkosh, 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 Oshkosh, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Oshkosh, 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 Oshkosh, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Oshkosh, 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 Oshkosh, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
August 15, 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 Common Council
City of Oshkosh, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the City of Oshkosh, 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 Oshkosh, Wisconsin's major federal and state programs for the year ended December 31, 2016. The City of Oshkosh, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Oshkosh, 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 City of Oshkosh, 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 Oshkosh, Wisconsin's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Oshkosh, 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 Oshkosh, 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 Oshkosh, 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 Oshkosh, 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 Oshkosh, 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 Oshkosh, Wisconsin's basic financial statements. We issued our report thereon dated August 15, 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.

Schmidt SC

Certified Public Accountants
Green Bay, Wisconsin
August 15, 2017

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

| Grantor Agency/Federal Program Title | Pass-through Agency | Pass-through Identification Number | Federal CFDA Number | Revenues | | | | Total Expenditures | Subrecipient Payments |
|--|-------------------------------------|------------------------------------|---------------------|--------------------------------------|---------------|--|----------------|--------------------|-----------------------|
| | | | | (Accrued) or Deferred Revenue 1/1/16 | Cash Received | Accrued or (Deferred) Revenue 12/31/16 | Total Revenues | | |
| <u>U.S. DEPARTMENT OF COMMERCE</u> | | | | | | | | | |
| Economic Development Cluster | | | | | | | | | |
| Investments for Public Works and Economic Development Facilities | Direct Program | N/A | 11.300 | \$ - | \$ 843,978 | \$ - | \$ 843,978 | \$ 843,978 | \$ - |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | | | | | | |
| CDBG - Entitlement Grants Cluster | | | | | | | | | |
| Community Development Block Grant Entitlement Program | Direct Program | N/A | 14.218 | (40,484) | 1,083,770 | 60,578 | 1,103,864 | 1,103,864 | 111,214 |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | | | | | | | |
| Bullet Proof Vest Partnership Program | Direct Program | N/A | 16.607 | - | 6,715 | - | 6,715 | 6,715 | - |
| Edward Byrne Memorial Justice Assistance Grant | Direct Program | N/A | 16.738 | - | 6,643 | - | 6,643 | 6,643 | - |
| Total U.S. Department of Justice | | | | - | 13,358 | - | 13,358 | 13,358 | - |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | | | | | | |
| Highway Planning and Construction Cluster | | | | | | | | | |
| Recreational Trails Program | WI Department of Natural Resources | RTA-661-14 | 20.219 | - | 45,000 | - | 45,000 | 45,000 | - |
| Federal Transit Cluster | | | | | | | | | |
| Federal Transit-Formula Grants (Urbanized Area Formula Program) | Direct Program | N/A | 20.507 | - | 1,453,329 | - | 1,453,329 | 1,453,329 | - |
| Highway Safety Cluster | | | | | | | | | |
| State and Community Highway Safety | WI Department of Transportation | N/A | 20.600 | - | 22,457 | - | 22,457 | 22,457 | - |
| Total U.S. Department of Transportation | | | | - | 1,520,786 | - | 1,520,786 | 1,520,786 | - |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | | | | |
| Aging Cluster | | | | | | | | | |
| Grants for Supportive Services and Senior Centers (Title III-B) | Winnebago County Committee on Aging | N/A | 93.044 | - | 20,225 | - | 20,225 | 20,225 | - |
| Title III Part C | Winnebago County Committee on Aging | N/A | 93.045 | - | 24,123 | - | 24,123 | 24,123 | - |
| Total Aging Cluster | | | | - | 44,348 | - | 44,348 | 44,348 | - |
| Total U.S. Department of Health and Human Services | | | | - | 44,348 | - | 44,348 | 44,348 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ (40,484) | \$ 3,506,240 | \$ 60,578 | \$ 3,526,334 | \$ 3,526,334 | \$ - |

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

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

| Grantor Agency/State Program Title | Pass-through Agency | Pass-through Identification Number | State I.D. Number | Revenues | | | | Total Expenditures | Subrecipient Payments |
|---|---------------------|------------------------------------|-------------------|--------------------------------------|---------------------|--|---------------------|---------------------|-----------------------|
| | | | | (Accrued) or Deferred Revenue 1/1/16 | Cash Received | Accrued or (Deferred) Revenue 12/31/16 | Total Revenues | | |
| <u>DEPARTMENT OF NATURAL RESOURCES</u> | | | | | | | | | |
| Recycling Grants to Responsible Units | Direct Program | N/A | 370.670 | \$ - | \$ 208,711 | \$ - | \$ 208,711 | \$ 208,711 | \$ - |
| Recycling Consolidation Grants | Direct Program | N/A | 370.673 | - | 17,403 | - | 17,403 | 17,403 | - |
| Urban Nonpoint Source & Storm Water Grants | Direct Program | N/A | 370.658 | - | 43,175 | - | 43,175 | 43,175 | - |
| Total Department of Natural Resources | | | | - | 269,289 | - | 269,289 | 269,289 | - |
| <u>DEPARTMENT OF TRANSPORTATION</u> | | | | | | | | | |
| Transit Operating Aids | Direct Program | N/A | 395.104 | | | | | | |
| 2014 | | | | (109,924) | 109,924 | - | - | - | - |
| 2015 | | | | (112,459) | - | 112,459 | - | - | - |
| 2016 | | | | - | 846,405 | 245,315 | 1,091,720 | 1,091,720 | - |
| Paratransit Aids | Direct Program | N/A | 395.xxx | - | 54,770 | - | 54,770 | 54,770 | - |
| Total Department of Transportation | | | | (222,383) | 1,011,099 | 357,774 | 1,146,490 | 1,146,490 | - |
| TOTAL STATE PROGRAMS | | | | \$ (222,383) | \$ 1,280,388 | \$ 357,774 | \$ 1,415,779 | \$ 1,415,779 | \$ - |

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

CITY OF OSHKOSH, WISCONSIN

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended December 31, 2016

NOTE A - BASIS OF PRESENTATION

In accordance with audit requirements issued by the Comptroller General of the United States 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, supplemental information is presented by the City in regard to federal and state financial assistance programs administered by the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedule 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 financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the City in the succeeding year while deferred revenue represents advances for federal and state programs that exceed recorded City expenditures. The City has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

Federal Programs: The City of Oshkosh qualifies as a low risk auditee in accordance with 2 CFR section 200.520. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 20% of total federal awards that also were deemed major programs based on the auditor's risk assessment. All other federal programs are considered nonmajor programs.

State Programs: Major programs represent state assistance programs with expenditures of \$250,000 or more and other state programs classified as major in the *State Single Audit Guidelines*. All other state assistance programs required to be included in the Schedule of Expenditures of State Financial Assistance in accordance with Appendix H of the *State Single Audit Guidelines* are non-major programs.

NOTE C - OVERSIGHT AGENCIES

The Federal oversight agency for the City is the U.S. Department of Transportation.

The State cognizant agency for the City is the Wisconsin Department of Transportation.

CITY OF OSHKOSH, 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? None reported

Federal Awards and State Financial Assistance

Internal control over major program:

- 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 *State Single Audit Guidelines*? No

Identification of major federal programs:

| CFDA Number | Name of Federal Program |
|-------------|--|
| 20.507 | Federal Transit Cluster Federal Transit Formula Grant |
| 11.300 | Economic Development Cluster Investments for Public Works and Economic Development Facilities |
| 14.218 | CDBG – Entitlement Grants Cluster Community Development Block Grant Entitlement Program |

Identification of major state programs:

| 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 Awards \$750,000
State Financial Assistance \$250,000

Auditee qualified as low-risk auditee Yes

CITY OF OSHKOSH, WISCONSIN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2016

Section II - Financial Statement Findings

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 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* 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 Natural Resources
Department of Transportation

_____ Yes X No
_____ Yes X No

Name and signature of shareholder



Thomas Karman, CPA

Date of report

August 15, 2017

CITY OF OSHKOSH, 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 or questioned costs for federal and state awards for the year ended December 31, 2015.

Corrective Action Plan

No corrective action plan is required.