

CITY OF JANESVILLE

Janesville, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2019

CITY OF JANESVILLE

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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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Janesville
Janesville, 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 Janesville, Wisconsin as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Janesville's basic financial statements, and have issued our report thereon dated June 10, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Janesville'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*.

The City of Janesville's Response to Finding

The City of Janesville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Janesville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
June 10, 2020

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Janesville
Janesville, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of Janesville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Janesville's major federal and major state programs for the year ended December 31, 2019. The City of Janesville's major federal and major 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 Janesville's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Janesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the City of Janesville's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the City of Janesville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City of Janesville 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 Janesville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Janesville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *State Single Audit Guidelines*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Janesville, Wisconsin as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Janesville's basic financial statements. We issued our report thereon dated June 10, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
September 1, 2020

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Grantor Agency/ Program Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Grant ID	Revenues			Total Revenues	Expenditures	Payments to Subrecipients
				(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance			
FEDERAL PROGRAMS									
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
CDBG - Entitlement Grants Cluster									
Community Development Block Grants / Entitlement Grants	14.218								
Community Development Block Grants / Ent. Grants		Direct	N/A	\$ (118,784)	\$ 394,151	\$ 88,629	\$ 363,996	\$ 363,996	\$ 107,545
Community Development Block Grants / Ent. Grants - Program income		Direct	N/A	-	140,643	-	140,643	140,643	-
Total CDBG - Entitlement Grants Cluster				<u>(118,784)</u>	<u>534,794</u>	<u>88,629</u>	<u>504,639</u>	<u>504,639</u>	<u>107,545</u>
Home Investment Partnership Program									
Home Investment Partnerships Program/ Rock Co. Consortium	14.239	Direct	N/A	(29,859)	344,220	86,670	401,031	401,031	-
Home Investment Partnerships Program - Program Income		Direct	N/A	-	93,784	-	93,784	93,784	-
Total Home Investment Partnerships Program				<u>(29,859)</u>	<u>438,004</u>	<u>86,670</u>	<u>494,815</u>	<u>494,815</u>	<u>-</u>
Housing Voucher Cluster									
Section 8 Housing Choice Vouchers	14.871	Direct	N/A	-	2,976,026	-	2,976,026	2,976,026	-
Total Housing Voucher Cluster				<u>-</u>	<u>2,976,026</u>	<u>-</u>	<u>2,976,026</u>	<u>2,976,026</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>(148,643)</u>	<u>3,948,824</u>	<u>175,299</u>	<u>3,975,480</u>	<u>3,975,480</u>	<u>107,545</u>
U.S. DEPARTMENT OF JUSTICE									
Bulletproof Vest Partnership	16.607	Direct	N/A	-	9,355	-	9,355	9,355	-
Edward Byrne Memorial Justice Assistance Grant Program									
Grant (JAG) Program / Grants to States and Territories	16.738	Rock County	2009-SB-B9-0870	12	-	-	12	12	-
Grant (JAG) Program / Grants to States and Territories		Rock County	2018-DJ-BX-0478	-	12,400	-	12,400	12,400	-
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>12</u>	<u>12,400</u>	<u>-</u>	<u>12,412</u>	<u>12,412</u>	<u>-</u>
Total U.S. Department of Justice				<u>12</u>	<u>21,755</u>	<u>-</u>	<u>21,767</u>	<u>21,767</u>	<u>-</u>

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

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Grantor Agency/ Program Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Grant ID	Revenues			Total Revenues	Expenditures	Payments to Subrecipients
				(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance			
FEDERAL PROGRAMS (cont.)									
U.S. DEPARTMENT OF TRANSPORTATION									
Highway Planning and Construction Cluster									
			371-10-004 & 371-14-012						
Highway Planning and Construction	20.205	WI DOT	& 5990-01-23	\$ -	\$ 202,842	\$ -	\$ 202,842	\$ 202,842	\$ -
TAP Grant - Northeast Regional Trail	20.205	WI DOT	1/25/5990	-	-	328,353	328,353	328,353	-
TAP Grant - Ice Age Trail	20.205	WI DOT	5990-01-22/23	-	198,928	-	198,928	198,928	-
Total Highway Planning and Construction Cluster				-	401,770	328,353	730,123	730,123	-
Federal Transit Cluster									
Federal Transit Formula Grants	20.507								
Federal Transit Formula Grants (operating 2017) WI-90-4751		Direct	N/A	-	1,113,046	-	1,113,046	1,113,046	-
Federal Transit Capital Grant		Direct	N/A	-	1,720,110	-	1,720,110	1,720,110	-
Federal Transit Capital Grant		WI DOT	WI-2019-004-01	-	344,022	-	344,022	344,022	-
Total Federal Transit Cluster				-	3,177,178	-	3,177,178	3,177,178	-
Highway Safety Cluster									
State and Community Highway Safety	20.600	WI DOT	FG-2016-janesvil-03091 FG-2016-janesvil-03412 FG-2016-janesvil-03528	-	64,458	4,000	68,458	68,458	-
Total Highway Safety Cluster				-	64,458	4,000	68,458	68,458	-
Total U.S. Department of Transportation				-	3,643,406	332,353	3,975,759	3,975,759	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
State Grants for Protection and Advocacy Services	93.276	Direct	N/A	-	350,956	-	350,956	350,956	-
Total U.S. Department of Health and Human Services				-	350,956	-	350,956	350,956	-
TOTAL FEDERAL PROGRAMS				<u>\$ (148,631)</u>	<u>\$ 7,964,941</u>	<u>\$ 507,652</u>	<u>\$ 8,323,962</u>	<u>\$ 8,323,962</u>	<u>\$ 107,545</u>

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

CITY OF JANESVILLE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2019

Grantor Agency/ Program Title	State ID Number	Grant ID Number	Revenues				Expenditures	Payments to Subrecipients
			(Accrued) Deferred Beginning Balance	Receipts	Accrued (Deferred) Ending Balance	Total Revenues		
STATE PROGRAMS								
WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Recycling Grants to Responsible Units	370.670	RU 53241	\$ -	\$ 209,614	\$ -	\$ 209,614	\$ 209,614	\$ -
Recycling Consolidation Grant	370.673	RU 53241	-	16,174	-	16,174	16,174	-
Municipal Dam Grant	370.TX1	DAMM-R-FF53.06-19	-	200,000	-	200,000	200,000	-
Total Wisconsin Department of Natural Resources			-	425,788	-	425,788	425,788	-
WISCONSIN DEPARTMENT OF TRANSPORTATION								
Transit Operating Aids								
2017 Operating Aids	395.104	2017	(83,582)	-	83,582	-	-	-
2019 Operating Aids		2019	-	819,528	-	819,528	819,528	-
Paratransit Aids Through 85.205		2015	-	32,306	-	32,306	32,306	-
Total Transit Operating Aids			(83,582)	851,834	83,582	851,834	851,834	-
WISCONSIN DEPARTMENT OF HEALTH SERVICES								
Emergency Medical Service Cost Reimbursement	435.162	N/A	-	11,789	-	11,789	11,789	-
Total Wisconsin Department of Health Services			-	11,789	-	11,789	11,789	-
TOTAL STATE PROGRAMS			\$ (83,582)	\$ 1,289,411	\$ 83,582	\$ 1,289,411	\$ 1,289,411	\$ -

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

CITY OF JANESVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state award activity of the City of Janesville (the “city”) under programs of the federal and state government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Janesville, it is not intended to and does not present the financial position, changes in net position or cash flows of the city.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred. Program income is reported as expenditures in the year it is received.

NOTE 3 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

WI DOT – Wisconsin Department of Transportation
Rock County – Rock County, Wisconsin

NOTE 4 – INDIRECT COST RATE

The city has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000	\$ 250,000

Identification of major state program:

State ID Number	Name of State Program
395.104	Transit Operating Aids

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

FINDING 2019-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of Finding 2018-001

Criteria: Auditing Standards AU-C 265 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the city’s structure of internal control.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, we noted there was no independent second party review of year-end financial statements and year-end conversion journal entries. In addition, we identified adjustments required to be made to the financial statements prepared by the city.

Cause: Due to staffing and financial limitations, the city is not able to perform an independent review of the year-end financial statements and conversion entries.

Effect: No independent second party review of the year-end financial statements and conversion entries may lead to material misstatements.

Recommendation: We recommend that year-end financial statements and year-end conversion journal entries be reviewed by a second individual to ensure appropriateness and accuracy.

Management Response: The city prepares high quality financial statements, conversion entries, and footnote disclosures for the auditors to review. However, because of the city’s size, management does not believe it is cost effective to hire the additional staff needed with the expertise to review all aspects of financial reporting, and relies on the auditor for some year-end financial statement and conversion entry review. Therefore, we anticipate that the material weakness in financial reporting review will continue to be reported in future years.

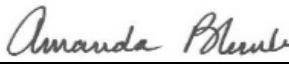
CITY OF JANESVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

SECTION III – FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

No findings were reported.

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no
2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, 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 | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Department of Health Services | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Department of Natural Resources | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? yes no
4. Name and signature of partner 
Amanda Blomberg, CPA, Firm Director
5. Date of report September 1, 2020

CITY OF JANESVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended December 31, 2019

FINDING 2018-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING

REPEAT OF FINDING 2017-001

Criteria: Auditing Standards AU-C 265 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the city's structure of internal control.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, we noted there was no independent second party review of year-end financial statements and year-end conversion journal entries. In addition, we identified adjustments required to be made to the financial statements prepared by the city.

Cause: Due to staffing and financial limitations, the city is not able to perform an independent review of the year-end financial statements and conversion entries.

Effect: Year-end financial statements prepared by the city contained material misstatements.

Recommendation: We recommend that year-end financial statements and year-end conversion journal entries be reviewed by a second individual to ensure appropriateness and accuracy.

Status: The city prepares high quality financial statements, conversion entries, and footnote disclosures for the auditors to review. However, because of the city's size, management does not believe it is cost effective to hire the additional staff needed with the expertise to review all aspects of financial reporting, and relies on the auditor for some year-end financial statement and conversion entry review. Therefore, we anticipate that the material weakness in financial reporting review will continue to be reported in future year.