

# **City of Reedsburg**

Report on Federal and State Awards

December 31, 2022

# City of Reedsburg

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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 of  
City of Reedsburg

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Reedsburg (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 24, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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.

*Baker Tilly US, LLP*

Madison, Wisconsin  
August 24, 2023

**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 of  
City of Reedsburg

**Report on Compliance for Each Major Federal and Major State Program**

***Opinion on Each Major Federal and Major State Program***

We have audited the City of Reedsburg's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the City's major federal and major state programs for the year ended December 31, 2022. The City'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.

In our opinion, the City complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal and Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal and state programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *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 *Guidelines***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated August 24, 2023, 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 *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 basic 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  
November 29, 2023

**City of Reedsburg**

Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2022

Grantor Agency/ Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Grant ID	Expenditures	Payments to Subrecipients
<b>Federal Programs</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants	14.228	N/A	N/A	\$ 40,913	\$ -
Total U.S. Department of Housing and Urban Development				<u>40,913</u>	<u>-</u>
<b>U.S. Department of Transportation</b>					
Airport Improvement Program	20.106	WI DOT	C351001AIP06CRRSAAINV0	13,000	-
Federal Transit Cluster					
Formula Grants for Rural Areas and Tribal Transit Program	20.526	WI DOT	FTA Section 5311	79,386	-
Total Federal Transit Cluster				<u>79,386</u>	<u>-</u>
Highway Safety Cluster					
State and Community Highway Safety	20.600	WI DOT	N/A	6,098	-
Total Highway Safety Cluster				<u>6,098</u>	<u>-</u>
Total U.S. Department of Transportation				<u>98,484</u>	<u>-</u>
<b>U.S. Department of Treasury</b>					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	N/A	1,031,022	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WI PSC	5-BF-2022	2,496,071	-
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds				<u>3,527,093</u>	<u>-</u>
Total U.S. Department of Treasury				<u>3,527,093</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>					
COVID-19 Provider Relief Fund	93.498	N/A	N/A	12,195	-
Total U.S. Department of Health and Human Services				<u>12,195</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>					
Hazard Mitigation (HM)	97.039	WI DMA	4402.19, 4402.20	1,327,802	-
Total U.S. Department of Homeland Security				<u>1,327,802</u>	<u>-</u>
Total federal programs				<u>\$ 5,006,487</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal and state awards



## City of Reedsburg

Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2022

Grantor Agency/ Program Title	State ID Number	Expenditures	Payments to Subrecipients
<b>State Programs</b>			
<b>Wisconsin Department of Natural Resources</b>			
Recycling Grants to Responsible Units	370.670	\$ 10,513	\$ -
Urban Nonpoint Source Cost Sharing	370.TH1	<u>75,529</u>	<u>-</u>
Total Wisconsin Department of Natural Resources		<u>86,042</u>	<u>-</u>
<b>Wisconsin Department of Transportation</b>			
Tier C Transit Operating Aids (Rural)	395.177	<u>67,153</u>	<u>-</u>
Total Wisconsin Department of Transportation		<u>67,153</u>	<u>-</u>
<b>Wisconsin Department of Military Affairs</b>			
State match – Federal Assistance	465.305	<u>221,300</u>	<u>-</u>
Total Wisconsin Department of Military Affairs		<u>221,300</u>	<u>-</u>
Total state programs		<u>\$ 374,495</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal and state awards

# City of Reedsburg

Notes to Schedule of Expenditures of Federal and State Awards  
December 31, 2022

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## 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 Reedsburg, Wisconsin (the City) under programs of the federal and state government for the year ended December 31, 2022. 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

## 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.

## 3. Indirect Cost Rate

The City of Reedsburg has not elected to use the 10% de minimis indirect cost rate.

## 4. Pass-Through Agencies

The City received federal awards from the following pass-through agencies:

WI DMA	Wisconsin Department of Military Affairs
WI PSC	Wisconsin Public Service Commission
WI DOT	Wisconsin Department of Transportation

# City of Reedsburg

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2022

## Section I - Summary of Auditors' Results

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

### Federal and State Awards

Internal control over major programs:

	<u>Federal Programs</u>		<u>State Programs</u>	
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no	<u>      </u> yes	<u>  X  </u> no
Significant deficiencies identified that are not considered to be material weakness(es)?	<u>      </u> yes	<u>  X  </u> none reported	<u>      </u> yes	<u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs:

	<u>Unmodified</u>		<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<u>      </u> yes	<u>  X  </u> no	<u>      </u> yes	<u>  X  </u> no
Auditee qualified as low-risk auditee?	<u>      </u> yes	<u>  X  </u> no	<u>      </u> yes	<u>  X  </u> no
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>		<u>\$ 250,000</u>	

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
21.027	COVID-19 Coronavirus State and Local fiscal Recovery Funds

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.177	Tier C Transit Operating Aids (Rural)
465.305	State match – Federal Assistance

## City of Reedsburg

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2022

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### Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

#### Finding 2022-001: Internal Control Over Financial Reporting

##### Repeat of Finding 2021-001

*Criteria:* AU-C Section 315 requires auditors to report a material weakness when the auditor prepares the annual financial statements and footnotes, identifies material audit entries or the auditor prepares the schedule of expenditures of federal and state awards.

*Condition:* We, as your auditors, prepared the annual financial statements and schedule of expenditures of federal and state awards, noted material journal entries and prepared the GASB No. 34 conversion entries.

*Cause:* The City does not have the resources required to prepare the GASB No. 34 conversion entries and the annual financial statements and footnotes.

*Effect:* The City's financial statements may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedule of expenditures of federal and state awards are not available to the City until they are completed by the auditors.

*Recommendation:* We recommend that the City put in place procedures to determine if resources would be available to prepare a complete set of financial statements without material changes.

*Management's Response:* The City does not have sufficient staff to prepare complete financial statements and the GASB No. 34 conversion entries. The City has investigated other options, but at this time has not found any options which are cost effective. The City continues to rely on the auditors to prepare these statements and City finance personnel conduct a review of the financial statements to ensure they are accurate and complete.

#### Finding 2022-002: Internal Control Environment

##### Repeat of Finding 2021-002

*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 persons preparing payroll are not independent of other personnel duties or restricted from access to the payroll account. In addition, bank reconciliations for the tax account were not performed by someone independent of the tax collection process.

*Cause:* The City does not have the resources to segregate these duties.

*Effect:* Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally and your accounting records may be misstated.

*Recommendation:* We recommend that the City put in place procedures to determine if resources would be cost effective to segregate these duties.

*Management's Response:* The City does not have sufficient staff to segregate all accounting duties. The City has compensating controls in place to help mitigate risks that are reviewed regularly by City finance personnel to ensure they are still functioning as intended.

# City of Reedsburg

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2022

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## Section III - Federal and State Awards Findings and Questioned Costs

None reported.

## Section IV - Other Issues

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        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	_____ yes	<u>  X  </u> no
Department of Transportation	_____ yes	<u>  X  </u> no
Department of Military Affairs	_____ yes	<u>  X  </u> no
Public Service Commission	_____ yes	<u>  X  </u> no

Was a Management Letter or other document conveying audit comments issued as a result of this audit?        X   yes      \_\_\_\_\_ no

Name and signature of partner



Amada Blomberg, CPA, Managing Director

Date of report

November 29, 2023