

CITY OF NEW BERLIN
New Berlin, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2018

CITY OF NEW BERLIN

TABLE OF CONTENTS For the Year Ended December 31, 2018

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Report on Compliance For Each Major Federal and Major State Program; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures of Federal and State Awards Required By the Uniform Guidance and the <i>State Single Audit Guidelines</i>	3 - 5
Schedule of Expenditures of Federal Awards	6
Schedule of Expenditures of State Awards	7
Notes to Schedules of Expenditures of Federal and State Awards	8
Schedule of Findings and Questioned Costs	9 - 12

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 Mayor and Common Council
City of New Berlin
New Berlin, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Berlin, Wisconsin as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of New Berlin's basic financial statements and have issued our report thereon dated July 15, 2019.

Internal Control Over Financial Reporting

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

Internal Control Over Financial Reporting (continued)

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 New Berlin'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 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 Virchow Krause, LLP

Milwaukee, Wisconsin
July 15, 2019

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

Independent Auditors' Report

To the Mayor and Common Council
City of New Berlin
New Berlin, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the City of New Berlin, Wisconsin'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 New Berlin's major federal and major state programs for the year ended December 31, 2018. The City of New Berlin's major federal and major state programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of New Berlin'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 major state program occurred. An audit includes examining, on a test basis, evidence about the City of New Berlin'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 New Berlin's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the City of New Berlin 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, 2018.

Report on Internal Control Over Compliance

Management of the City of New Berlin 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 New Berlin'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 New Berlin'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 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 weakness 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 Schedules 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, each major fund, and the aggregate remaining fund information of the City of New Berlin, Wisconsin as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of New Berlin's basic financial statements. We issued our report thereon dated July 15, 2019, 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 schedules 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 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 schedules of expenditure of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin

September 25, 2019, except for our report on the schedules of expenditures of federal and state awards, for which the date is July 15, 2019.

CITY OF NEW BERLIN

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2018

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Expenditures			
					Grantor	Local	Total	Subrecipients
FEDERAL PROGRAMS								
U.S. Department of Justice								
2018 Bulletproof Vest Partnership Program	16.607	N/A	N/A	\$ 5,696	\$ 1,840	\$ -	\$ 1,840	\$ -
Equitable Sharing Program	16.922	N/A	N/A	86,559	70,863	-	70,863	-
Total Bulletproof Vest Partnership Program					72,703	-	72,703	-
U.S. Environmental Protection Agency								
Drinking Water State Revolving Fund Cluster								
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DNR, DOA	4859-05	1,144,694	1,144,694	2,979	1,147,673	-
Total Drinking Water State Revolving Fund Cluster					1,144,694	2,979	1,147,673	-
TOTAL FEDERAL PROGRAMS					<u>\$ 1,217,397</u>	<u>\$ 2,979</u>	<u>\$ 1,220,376</u>	<u>\$ -</u>

See notes to schedules of expenditures of federal and state awards.

CITY OF NEW BERLIN

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2018

Grantor Agency / Pass-Through Agency / Program Title	State ID Number	Award Amount	Expenditures		
			Grantor	Local	Expenditures
STATE PROGRAMS					
Wisconsin Department of Health Services					
2018 EMS Funding Assistance Program	435.119	\$ 4,789	\$ 1,964	\$ -	\$ 1,964
Total Wisconsin Department of Health Services			1,964	-	1,964
Wisconsin Department of Justice					
Law Enforcement Training, Local	455.202	10,240	10,240	838	11,078
Total Wisconsin Department of Justice			10,240	838	11,078
TOTAL STATE PROGRAMS			\$ 12,204	\$ 838	\$ 13,042

See notes to schedules of expenditures of federal and state awards.

CITY OF NEW BERLIN

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "schedules") includes the federal and state grant activity of the City of New Berlin under programs of the federal and state government for the year ended December 31, 2018. The information in these schedules 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 schedules present only a selected portion of the operations of the City of New Berlin, they are not intended to and do not present the financial position, changes in net position or cash flows of the City of New Berlin.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules 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. 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.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors.

DNR – Wisconsin Department of Natural Resources
DOA – Wisconsin Department of Administration

CITY OF NEW BERLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2018

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? yes x no
- > Significant deficiency (ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- | | Federal Programs | State Programs |
|--|--|--|
| > 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 |

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

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:	\$750,000	\$250,000
--	-----------	-----------

CITY OF NEW BERLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FEDERAL AND STATE AWARDS (cont.)

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund Cluster

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
455.202	Law Enforcement Training

CITY OF NEW BERLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

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

No findings were reported.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

No findings were reported.

CITY OF NEW BERLIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

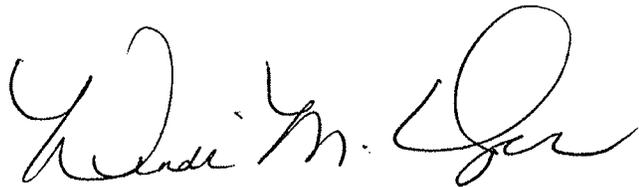
SECTION IV – OTHER ISSUES

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*:

Wisconsin Department of Health Services _____ yes x no
Wisconsin Department of Justice _____ yes x no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? x yes _____ no



Wendi M. Unger, Partner

Date of report September 25, 2019