

CITY OF WINNEMUCCA

JUNE 30, 2011



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's 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 Honorable Mayor and Council
of the City of Winnemucca, Nevada

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 Winnemucca, Nevada, as of and for the year ended June 30, 2011, which collectively comprise the City of Winnemucca, Nevada's basic financial statements and have issued our report thereon dated November 8, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Winnemucca, Nevada's internal control over financial reporting as a basis for designing our auditing procedures 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 Winnemucca, Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winnemucca, Nevada's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

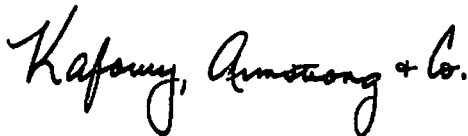
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting (2011-1). *A significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winnemucca, Nevada'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*.

The City of Winnemucca, Nevada's response to the finding identified in our audit is described in the Schedule of Findings and Responses. We did not audit the City of Winnemucca, Nevada's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Winnemucca, Nevada
November 8, 2011

**THE CITY OF WINNEMUCCA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

Findings Relating to the Financial Statements Reported in Accordance with Generally Accepted Government Auditing Standards (GAGAS):

Item 2011-1: Significant Deficiency

Condition: Personnel at the City do not have sufficient expertise in selecting and applying accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: Internal controls should be in place providing reasonable assurance the City can prepare its financial statements in accordance with generally accepted accounting principles.

Effect: The City cannot complete its financial reporting in accordance with generally accepted accounting principles.

Auditor's Recommendation: Personnel responsible for the accounting and reporting function should obtain the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements.

Management's Response: Management believes the cost of correcting the significant deficiency identified above would exceed the benefits derived from doing so.

**CITY OF WINNEMUCCA
SCHEDULE OF FEES IMPOSED SUBJECT TO THE
PROVISIONS OF NRS 354.5989
LIMITATION OF FEES FOR BUSINESS LICENSES
FOR THE YEAR ENDED JUNE 30, 2011**

Flat Fixed Fees:	
Adjusted base, June 30, 2010	\$524,375
Adjusted to Base:	
Base year	
1. Percentage increase (decrease) in population of local government	(0.86)%
2. Percentage increase in the Consumer Price Index for the year ending on December 31, next preceding the year for which the limit is being calculated	<u>1.68%</u>
	<u>0.82%</u>
	<u>4,305</u>
Adjusted Base at June 30, 2011	528,680
Actual Revenue (Net of Amounts not Subject to Limitation)	<u>212,037</u>
Amount (Over) Under Allowable Amount	<u>\$316,643</u>

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The following actions were taken during 2010-11 relating to potential statute violations reported in the June 30, 2010 audit report.

- The statute violation of NRS 354.626 was due to unanticipated expenses. All efforts were made during the current fiscal year to monitor expenditures and avoid any violations. However, The City was unable to avoid all potential violations.
- The statute violation of NRS 350.089 was due to obtaining medium-term financing without approval from the Executive Director of the Department of Taxation. The City did not enter into any medium-term financing arrangements during the current year.

PRIOR YEAR RECOMMENDATIONS

Prior year audit recommendations were addressed by management but are not feasible to correct at this time. See current year Schedule of Findings and Responses, 2011-1.

CURRENT YEAR RECOMMENDATIONS

Current year audit recommendations are included in the Schedule of Findings and Responses.



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Independent Accountant's Report

To the Honorable Mayor and Council
of the City of Winnemucca, Nevada

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified funds are being used expressly for the purposes for which they were created,
- The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- The fund balances/ net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2011 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements,
- The funds conform to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2011, except as identified in Note 2 to the financial statements,
- The balance and net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of the City of Winnemucca.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong + Co.

Winnemucca, Nevada
November 8, 2011