

CITY OF WINNEMUCCA

STATE OF NEVADA

JUNE 30, 2009



KAFOURY, ARMSTRONG & CO.

**A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS**



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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**

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2009. 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 our 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Winnemucca, Nevada's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Winnemucca, Nevada's financial statements that is more than inconsequential will not be prevented or detected by the City of Winnemucca, Nevada's internal control. We consider the deficiency describe in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. (2009-1)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Winnemucca, Nevada's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency describe above is not a material weakness.

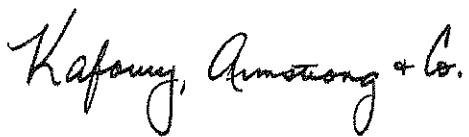
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of the City of Winnemucca, Nevada, in a separate letter dated November 5, 2009.

The City of Winnemucca, Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 5, 2009



KAFOURY, ARMSTRONG & CO.
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**Independent Auditor's Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Winnemucca, Nevada with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Winnemucca, Nevada's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Winnemucca, Nevada's management. Our responsibility is to express an opinion on the City of Winnemucca, Nevada's compliance based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program occurred. An audit includes examining, on a test basis, evidence about the City of Winnemucca, Nevada'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. Our audit does not provide a legal determination on the City of Winnemucca, Nevada's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Winnemucca, Nevada's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Winnemucca, Nevada's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies,

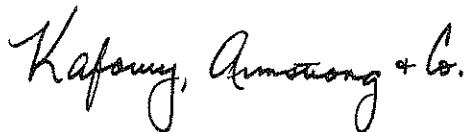
that adversely affects the City of Winnemucca, Nevada's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Winnemucca, Nevada's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Winnemucca, Nevada's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Winnemucca, Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 5, 2009

CITY OF WINNEMUCCA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u>US Department of Transportation</u>			
Passed through State of Nevada			
Department of Transportation:			
Highway Planning and Construction Cluster	20.205	STP-0294(002)	\$ 474,000
Passed through the Federal			
Aviation Administration:			
Airport Improvement Program	20.106	3-32-0001-16	<u>55,575</u>
Total U.S. Department of Transportation			<u>529,575</u>
<u>US Department of Homeland Security:</u>			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	<u>41,202</u>
Total Expenditure of Federal Awards			<u>\$ 570,777</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**THE CITY OF WINNEMUCCA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Summary of Audit Results:

- Kafoury, Armstrong & Co. issued an unqualified opinion on the financial statements of the City of Winnemucca, Nevada for the year ended June 30, 2009.
- Significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- The audit disclosed no instances of noncompliance, which were material to the financial statements of the City of Winnemucca, Nevada.
- No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of the City of Winnemucca, Nevada.
- The City of Winnemucca, Nevada had one major program for the year ended June 30, 2009, as follows:

Highway Planning and Construction Program - CFDA #20.205

- The dollar threshold used for distinguishing between Type A and Type B programs for the year ended June 30, 2009, was \$300,000.
- The City of Winnemucca was a high risk auditee for the year ended June 30, 2009.

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

Item 2009-1:

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 or 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.

THE CITY OF WINNEMUCCA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Findings and Questioned Costs for Federal Awards:

There were no findings or questioned costs.

**THE CITY OF WINNEMUCCA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no material weaknesses in internal control, instances of noncompliance or findings found during our 2007-2008 audit procedures.

**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, 2009**

Flat Fixed Fees:		
Adjusted base, June 30, 2008		\$ 508,663
Adjusted to Base:		
Base year		
1. Percentage increase (decrease) in population of local government	0.04%	
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>-0.47%</u>	
		<u>-0.43%</u>
		<u>(2,187)</u>
Adjusted Base at June 30, 2009		506,476
Actual Revenue (Net of Amounts not Subject to Limitation)		<u>232,335</u>
Amount (Over) Under Allowable Amount		<u>\$ 274,141</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 City of Winnemucca, Nevada conformed to all significant statutory constraints on its financial administration for the year ended June 30, 2008.

PRIOR YEAR RECOMMENDATIONS

There were no recommendations made in the audit report for the year ended June 30, 2008.

CURRENT YEAR RECOMMENDATIONS

Current year audit recommendations are included in the schedule of Findings and Questioned Costs.



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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):

- o The identified funds are being used expressly for the purposes for which they were created,
- o The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- o The reserved fund balances/net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2009 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- o The sources of revenues, including transfers, available for the funds are as noted in the financial statements,
- o The funds conform to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2009,
- o 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 5, 2009