



**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  
Winnemucca, Nevada

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, each major fund, and the aggregate remaining fund information of the City of Winnemucca, Nevada (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2016.

**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) 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'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. 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 Winnemucca, Nevada'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 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.

*Blake Rose & Associates, LLC*

Winnemucca, Nevada  
October 26, 2016



**Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by the Uniform Guidance**

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

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

We have audited the City of Winnemucca, Nevada's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal 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 statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal 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; and 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). Those standards and the Uniform Guidance 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the City 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 programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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'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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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 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.

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. Accordingly, this report is not suitable for any other purpose.

*Blake Rose & Associates, LLC*

Winnemucca, Nevada  
October 26, 2016

**CITY OF WINNEMUCCA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>EXPENDITURES TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Winnemucca Municipal Airport Taxiway Plan	20.106	3-32-0021-22	\$ <u>      -</u>	\$ <u>  70,207</u>
<b>Highway Safety Cluster:</b>				
Passed through State of Nevada				
Department of Public Safety, Office of Traffic Safety: Joining Forces Project	20.600	-	<u>      -</u>	<u>      4,706</u>
<b>Highway Planning and Construction Cluster:</b>				
Passed through State of Nevada				
Department of Transportation: East Winnemucca Boulevard Project	20.205	PR452-14-063	<u>      -</u>	<u>  288,847</u>
Total U.S. Department of Transportation			<u>      -</u>	<u>  363,760</u>
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant	97.044	EMW-2014-FV-02157	<u>      -</u>	<u>  666,667</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Nevada Commission on Economic Development Community Development Block Grants:				
CDBG- Pleasant Senior Center Kitchen Expansion	14.228	14/PF/18	<u>  277,155</u>	<u>  277,155</u>
Total Expenditures of Federal Awards			<u>\$  277,155</u>	<u>\$ 1,307,582</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF WINNEMUCCA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Winnemucca (the City) under programs of the federal government for the year ended June 30, 2016. 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). 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 basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Winnemucca has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**(3) Relationship to Basic Financial Statements**

Expenditures of federal awards have been included in the individual funds of the City as follows:

General Fund	\$ 281,861
Major Capital Improvement Fund	<u>1,025,721</u>
Total	<u>\$ 1,307,582</u>

**CITY OF WINNEMUCCA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDIT RESULTS:**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Material weakness(es) identified?	No
Noncompliance material to financial statements noted	No
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule?	No
Identification of major programs:	
<i>CFDA Number Name of Federal Program or Cluster</i>	
97.044 U.S. Department of Homeland Security- Assistance to Firefighters Grant	
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

**CITY OF WINNEMUCCA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

- B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS (GAGAS):

None

- C. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS:

None



**CITY OF WINNEMUCCA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

A. PRIOR YEAR FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS (GAGAS):

Item 2015-1: Significant Deficiency

Condition: Proper controls are not in place over year-end cut-off procedures.

Effect: Accounts payable and expenditures were understated by \$27,549 due to amounts posted to fiscal year 2016 instead of the current fiscal year.

Cause: Improper review of invoices for date of service or items received led to the recording of payables and expenditures to the incorrect fiscal year.

Criteria: Internal controls should be in place to provide reasonable assurance the City's payables and expenditures are properly reported in the correct fiscal year's financial statements in accordance with generally accepted accounting principles.

Auditor's Recommendation: The City Treasurer develops and implements control procedures to help ensure all year-end payables and expenditures are properly recorded and reported.

Management's Response: Management will work on implementing controls and reconciliation processes to prevent future issues related to year-end payables and expenditures.

Corrective action appears to have been implemented and working effectively.

B. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS:

None

**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, 2016**

Flat Fixed Fees:	
Adjusted base, June 30, 2015	\$656,482
Adjusted to Base:	
Base year adjusted	
1. Percentage increase (decrease) in population of local government	-1.75 %
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>0.73%</u>
	<u>-1.02%</u>
	<u>(6,880)</u>
Adjusted Base at June 30, 2016	649,802
Actual Revenue (Net of Amounts not Subject to Limitation)	<u>244,289</u>
Amount (Over) Under Allowable Amount	<u>\$405,513</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 2015-16 relating to potential statute violations reported in the June 30, 2015 audit report.

- The statute violations of NRS 354.626 were 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.

### PRIOR YEAR RECOMMENDATIONS

Efforts were made by management to implement prior year recommendations.

### CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our report.



**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 position in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2016 (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, 2016, (except as previously noted under statute compliance),
- The balance and net position 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 the assertion provided by management referred to above is not fairly stated in all material respects.

*Drake Rose & Associates, LLC*

Winnemucca, Nevada  
October 26, 2016