

City of Winona, Minnesota

Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2011, and
Independent Auditors' Reports

CITY OF WINONA, MINNESOTA

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INDEPENDENT AUDITORS' 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 Members of the
City of Winona, Minnesota City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winona, Minnesota (the "City"), as of and for the years ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 16, 2012 (which report expresses an unqualified opinion on the financial statements for 2011 and includes an explanatory paragraph concerning the adoption of Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*). 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 of America.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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

Deloitte + Touche LLP

May 16, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor and Members of the
City of Winona, Minnesota City Council:

Compliance

We have audited the compliance of the City of Winona, Minnesota (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on its major federal programs for the years ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the City's compliance based on our audits.

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 of America; 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's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the years ended December 31, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the years ended December 31, 2011, and have issued our report thereon dated May 16, 2012 (which report expresses an unqualified opinion on the financial statements for 2011 and includes an explanatory paragraph concerning the adoption of Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*). Our audits were performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Deloitte + Touche LLP

May 16, 2012

CITY OF WINONA, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the Minnesota Department of Transportation:			
Formula Grants for Other than Urbanized Areas — Operating	20.509	97644	\$ 94,500
Office of Aeronautics —			
EA and Obstruction Removal SP 8501-54	20.106	74256	152,856
Pavement Maintenance SP 8501-55	20.106	95502	119,967
Update airport layout plan; Improve runway SP 8501-58	20.106	99844	<u>56,171</u>
Total — U.S. DEPARTMENT OF TRANSPORTATION			<u>423,494</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT —			
Passed through the MN Department of Employment and Economic Development —			
Small Cities Development Block Grant	14.228	CDAP-09-0027-O-FY10	410,734
Passed through the MN Department of Health			
Lead Hazard Control	14.990	31731	<u>12,500</u>
Total — U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT —			<u>423,234</u>
U.S. DEPARTMENT OF COMMERCE:			
Passed through Blandin Foundation			
Minnesota Intelligent Rural Communities Program-ARRA	11.557	U2010-0011	<u>47,758</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES :			
Passed through S.E. MN Area Agency on Aging —			
Special Programs for the Aging — Title III, Part B Grants for Supportive Services and Senior Centers	93.044	310-025	<u>22,288</u>

(Continued)

CITY OF WINONA, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Office of Community Oriented Policing Services (COPS)	16.710	CKWX0702	4,098
Bulletproof Vest Partnership Program	16.607	1121-0235	2,149
Passed through MN Institute of Public Health —			
Alcohol Compliance Check and Alternative Underage Drinking Enforcement Grant	16.727	36857001-01	562
Passed through MN Department of Public Safety —			
State & Community Highway Safety Act (DWI Enforcement Grant Program)	20.608	5000-6752	<u>1,057</u>
Total — U.S. DEPARTMENT OF JUSTICE			<u>7,866</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Assistance to Firefighters Program	97.044	EMW-2009-FO-01382	3,413
Assistance to Firefighters Program	97.044	EMW-2009-FR-00005	<u>32,130</u>
Total — U.S. DEPARTMENT OF HOMELAND SECURITY			35,543
U.S. DEPARTMENT OF INTERIOR:			
Passed through Minnesota Historical Society Certified local government grant	15.904	27-11-31930.026	600
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 960,783</u>

See notes to schedule of expenditures of federal awards.

(Concluded)

CITY OF WINONA, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

1. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting, and the information herein is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Federal revenues are recorded in the year in which the related expenditure is made, provided that such revenues are available within 60 days following the end of the fiscal year.

2. RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Total expenditures of federal awards	<u>\$ 960,783</u>
Other intergovernmental revenues:	
Shared taxes	258,542
State sources	10,428,628
Local sources	<u>243,580</u>
Total other intergovernmental revenues	<u>10,930,750</u>
Total intergovernmental revenues (primary government) per comprehensive annual financial report	<u>\$11,891,533</u>

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CITY OF WINONA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial Statements

- A. Type of auditors' report issued — unqualified.
- B. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- C. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

- D. Internal control over major programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- E. Type of auditors' report issued on compliance for major programs — unqualified.
- F. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no
- G. Identification of major programs:

Name of Federal Program	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development- Small Cities Development Block Grant	14.228	\$410,734
H. Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
I. Auditee qualified as a low-risk auditee?	<u> X </u> yes _____ no	

Section II — Financial Statement Findings

No financial statement matters are reportable matters.

Section III — Federal Award Findings and Questioned Costs

No current-year findings or questioned costs.