

City of Winona, Minnesota

Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2012, 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, 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, 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 year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2013.

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'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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

May 15, 2013

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:

Report on Compliance for Each Major Federal Program

We have audited the City of Winona, Minnesota's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. 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 the requirements of laws, regulations, contracts, and grants 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 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 provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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 December 31, 2012.

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 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. 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 15, 2013, 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 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Deloitte + Touche LLP

May 15, 2013

CITY OF WINONA, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

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 Office of Aeronautics:	20.509	99659	\$ 94,500
EA and Obstruction Removal SP 8501-54	20.106	94256	14,692
Updated airport layout plan; improve runway SP 8501-58	20.106	99844	<u>127,869</u>
Total — U.S. DEPARTMENT OF TRANSPORTATION			<u>237,061</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	170,203
Small Cities Development Block Grant	14.228	CDAP-10-0105-H-FY11	3,190
Passed through the MN Department of Health:			
Lead Hazard Control	14.900	3000001424	<u>12,500</u>
Total — U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>185,893</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>
U.S. DEPARTMENT OF JUSTICE —			
Bulletproof Vest Partnership Program			
	16.607	1121-0235	10,150
Passed through MN Department of Public Health:			
Alcohol Compliance Check and Alternate Underage Drinking Enforcement Grant	16.727	36857001-01	<u>391</u>
Total — U.S. DEPARTMENT OF JUSTICE			<u>10,541</u>
U.S. DEPARTMENT OF HOMELAND SECURITY —			
Assistance to Firefighters Program	97.044	EMW-2009-FR-00005	<u>316,023</u>
U.S. DEPARTMENT OF INTERIOR —			
Passed through MN Department of Natural Resources:			
Development of Boating Facilities	15.916	LW27-01390	<u>10,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$781,806</u>

See notes to schedule of expenditures of federal awards.

CITY OF WINONA, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

1. BASIS OF ACCOUNTING

The schedules 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 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Total expenditures of federal awards	<u>\$ 781,806</u>
Other intergovernmental revenues:	
Shared taxes	264,995
State sources	10,639,071
Local sources	<u>252,249</u>
Total other intergovernmental revenues	<u>11,156,315</u>
Total intergovernmental revenues (primary government) per comprehensive annual financial report	<u>\$11,938,121</u>

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CITY OF WINONA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I — SUMMARY OF INDEPENDENT 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
Assistance to Firefighters Program	97.044	<u>\$ 316,023</u>

H. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

I. Auditee qualified as a low-risk auditee? _____ X 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.