



CITY OF WEST WENDOVER, NEVADA

SINGLE AUDIT ACT REPORT

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF WEST WENDOVER, NEVADA

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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***

The Honorable Mayor and
City Council
City of West Wendover, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of West Wendover, Nevada, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of West Wendover, Nevada's basic financial statements and have issued our report thereon dated November 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Wendover, Nevada's internal control over financial reporting (internal control) as a basis for designing 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 of West Wendover, Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Wendover, Nevada'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 West Wendover, 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 financial statements. 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.



HintonBurdick, PLLC

St. George, Utah

November 2, 2020



**Independent Auditors' Report on Compliance for Each Major Program
And Report On Internal Control over Compliance In
Accordance with Uniform Guidance**

The Honorable Mayor and
City Council
City of West Wendover, Nevada

Report on Compliance for Each Major Federal Program

We have audited the City of West Wendover, Nevada's 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 of West Wendover, Nevada's major federal programs for the year ended June 30, 2020. The City of West Wendover, Nevada'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 the 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 of West Wendover, Nevada'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* (CFR) 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 City of West Wendover, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of West Wendover, Nevada's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of West Wendover, Nevada 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 other major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of West Wendover, Nevada, 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 of West Wendover, Nevada'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 of West Wendover, Nevada'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 of West Wendover, Nevada, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of West Wendover, Nevada's basic financial statements. We issued our report thereon dated November 2, 2020, 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

HintonBurdick, PLLC

HintonBurdick, PLLC

St. George, Utah

March 24, 2021

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CITY OF WEST WENDOVER, NEVADA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified
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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF WEST WENDOVER, NEVADA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

Compliance:

2020-001 Tentative Budget

Criteria: NRS 354.596 requires that the City submit the tentative budget and notice of hearing to the County Clerk and the Department of Taxation on or before April 15.

Condition: The tentative budget and notice were not submitted until after April 15.

Cause: The City has not designed and implemented controls to ensure compliance with NRS 354.596.

Effect: The City did not comply with NRS 354.596.

Recommendation: We recommend that the City consider procedures to ensure the tentative budget and notice are submitted to the County Clerk and Department of Taxation on or before April 15.

CITY OF WEST WENDOVER, NEVADA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

2019-001 Sewer Fund USDA Debt Covenants

Criteria: The USDA Series 2012 Sewer Bond covenants require certain ratios and metrics be maintained per the bond agreement.

Condition: We noted that the Sewer Fund is out of compliance with USDA debt covenants and required ratios.

Cause: The Sewer Fund did not have enough income from operations to cover the next year's debt service requirement. It appears the City did not follow and update established controls to ensure compliance with the criteria above.

Effect: The City is not in compliance with the bond covenants required by the USDA.

Recommendation: We recommend the City look at ways to increase revenues and reserves or decrease operating expenses in order to become compliant with the USDA debt covenants of the Sewer Bond and to update controls to ensure compliance with the debt covenants.

Other Matters:

None noted

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary Schedule of Prior Audit Findings

None noted.

CITY OF WEST WENDOVER, NEVADA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency (Passed through Nevada Department of Conservation & Natural Resources) Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW1908	\$ -	\$ 2,173,729
U.S. Department of Treasury: (Passed through the State of Nevada) Coronavirus Relief Fund	21.019	None	-	34,440
U.S. Department of Transportation Joining Forces/Traffic Safety Grant 2020	20.616		-	9,179
Joining Forces/Traffic Safety Grant 2019	20.616		-	3,270
Total U.S. Department of Agriculture			<u>-</u>	<u>12,449</u>
Total expenditure of federal awards			<u>\$ -</u>	<u>\$ 2,220,618</u>

The accompanying notes are an integral part of this schedule.

CITY OF WEST WENDOVER, NEVADA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Reporting Entity:

The accompanying schedule of expenditures of federal awards (schedule) presents all activity or expenditure or all federal award programs of the City of West Wendover, Nevada (City) for the year ended June 30, 2020. The City's reporting entity is defined in note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting:

This accompanying schedule has been prepared on the modified accrual basis of accounting. 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).

Relationship to the Basic Financial Statements:

Expenditures of federal awards have been reported in the following funds.

Governmental-Type Activities:	
General Fund	\$ 46,889
Business-Type Activities:	
Water Fund	2,173,729
	<u>\$ 2,220,618</u>

Indirect Cost Rate:

The City did not elect to use the 10% de minimis indirect cost rate for fiscal year 2020.

Federal Loans and Loan Guarantee Programs Outstanding:

The City received funding from the Environmental Protection Agency passed through the Nevada Department of Conservation & Natural Resources for CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds in fiscal year ending June 30, 2020 in the amount of \$2,173,729. The balance of the loan outstanding at June 30, 2020 is \$2,135,729.

Subrecipients:

The City did not have any subrecipients for the fiscal year 2020.