



Schedule of Expenditures of Federal Awards  
December 31, 2009



**CITY OF MOORHEAD, MINNESOTA**

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**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*  
AND THE *MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE***

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The Honorable Mayor and City Council  
City of Moorhead, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Moorhead, Minnesota (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 19, 2010. 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. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters that are reported upon separately for Moorhead Public Service (Electric and Water major proprietary funds, and Broadband nonmajor proprietary fund) and the Moorhead Public Housing Agency (discretely presented component unit).

*Internal Control Over Financial Reporting*

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of audit findings, and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. We consider deficiency 09-1 described in the accompanying schedule of audit findings and questioned costs to be a significant deficiency. 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.

#### *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 that are required to be reported under *Government Auditing Standards*.

#### *Minnesota Legal Compliance*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories. The results of our tests disclosed no instances of noncompliance that are required to be reported under the *Minnesota Legal Compliance Audit Guide for Local Government*.

The City's response to the finding identified in our audit is described in the accompanying schedule of audit findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota  
May 19, 2010



**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**

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The Honorable Mayor and City Council  
City of Moorhead, Minnesota

*Compliance*

We have audited the compliance of the City of Moorhead, 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 are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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 audit.

The City's basic financial statements include the operations of the Moorhead Public Housing Agency (discretely presented component unit) which received \$759,021 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2009. Our audit, described below, did not include the operations of the Moorhead Public Housing Agency because the component unit has a separately issued audit in accordance with OMB Circular A-133.

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. 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 are applicable to each of its major federal programs for the year ended December 31, 2009.

*Internal Control Over Compliance*

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's internal control over compliance with 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 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 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 the 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 the 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 a material weakness, as defined above.

*Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Moorhead, Minnesota as of and for the year ended December 31, 2009, and have issued our report thereon dated May 19, 2010. Our audit was 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 audit 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, the City Council, 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.

Eide Bailly LLP

Fargo, North Dakota  
May 19, 2010

**CITY OF MOORHEAD, MINNESOTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>			
Direct Programs:			
Community Development Block Grant	N/A	14.218	\$ 366,348
Community Development Block Grant - ARRA	N/A	14.253	<u>76,374</u>
Total Department of Housing and Urban Development			<u>442,722</u>
<i>DEPARTMENT OF JUSTICE</i>			
Direct Programs:			
Police Overtime	N/A	16.595	28,105
BJA Armored Vets	N/A	16.607	23,427
Edward Byrne Justice Admin (JAG)	N/A	16.738	<u>2,123</u>
Passed through the State of Minnesota			
Underage Alcohol Enforcement	9100-1092	16.727	4,798
Liquor Establishment Compliance Checks	9100-1071	16.727	2,160
Impaired Driving Enforcement	50000006092	16.727	<u>3,970</u>
Total CFDA #16.727			<u>10,928</u>
Total Department of Justice			<u>64,583</u>
<i>DEPARTMENT OF TRANSPORTATION</i>			
Direct Programs:			
Federal Transit Administration			
Operating	N/A	20.507	289,313
Capital	N/A	20.507	84,790
Capital - ARRA	N/A	20.507	285,450
Planning	N/A	20.507	<u>11,521</u>
Total CFDA #20.507			<u>671,074</u>
Passed through the State of Minnesota:			
MNDOT Formula Grant, Non-Urbanized Area (RTAP)	T79-4100	20.509	<u>263</u>
Airport Improvement	SP-1401-14	20.106	80
Airport Improvement	SP-1401-15	20.106	<u>55,220</u>
Total CFDA #20.106			<u>55,300</u>
Highway Planning & Construction	N/A	20.205	8,455,890
Highway Planning & Construction - ARRA	N/A	20.205	<u>358,374</u>
Total CFDA #20.205			<u>8,814,264</u>

(continued on next page)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2**

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
Passed through the State of Minnesota:			
Safe Communities	9200-2413	20.600	10,293
2009 Safe and Sober	9200-2648	20.600	22,447
2010 Safe and Sober	9200-2788	20.600	15,322
Total CFDA #20.600			48,062
 New Freedom Program	 93192	 20.521	 18,368
Job Access and Reverse Commute Program Grant	93847	20.516	21,139
Total CFDA #20.516 and #20.521 Cluster			39,507
Total Department of Transportation			9,628,470
 <i>ENVIRONMENTAL PROTECTION AGENCY</i>			
Passed through the State of Minnesota			
Water Pollution Control Revolving Fund	MPFA-06-0017-R-FY07	66.458	1,039,621
 <i>DEPARTMENT OF HOMELAND SECURITY</i>			
Direct Programs:			
2007 Staffing for Adequate Fire and Emergency Response (SAFER) Grant	N/A	97.044	135,109
2007 Assistance to Firefighters (AFG) Grant	N/A	97.044	20,122
Total CFDA #97.044			155,231
 Passed through the State of Minnesota			
2007 State Homeland Security Grant Program	2008-HSGP-00656	97.067	54,503
 Public Assistance Disaster Grant DR-1830	 2000-13265	 97.036	 2,996,672
Total Department of Homeland Security			3,206,406
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 14,381,802



**CITY OF MOORHEAD, MINNESOTA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2009**

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**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

**NOTE 2 – AGENCY OR PASS-THROUGH NUMBER**

The only programs without agency or pass-through numbers are programs where the federal funds are direct therefore agency and pass-through numbers are not required.

**CITY OF MOORHEAD, MINNESOTA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

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There were no findings in the prior year in relation to the major federal award programs audit.

**CITY OF MOORHEAD, MINNESOTA**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Moorhead.
2. One significant deficiency was disclosed during the audit of the financial statements as reported in the 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 above significant deficiency was determined to not be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Moorhead were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Moorhead expresses an unqualified report.
6. Audit findings relative to the major federal award programs for the City of Moorhead are reported in Part C of this schedule.
7. The programs tested as a major program were: Community Development Block Grant, CFDA #14.218, ARRA-Community Development Block Grant, CFDA #14.253, Federal Transit Administration, CFDA #20.507, ARRA-Federal Transit Administration, CFDA #20.507, Highway Planning & Construction, CFDA #20.205, ARRA-Highway Planning & Construction, CFDA #20.205 and Public Assistance Disaster Grant, CFDA #97.036.
8. The threshold for distinguishing a Type A program was \$431,454.
9. The City of Moorhead was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiency**

09-1 Cutoff Procedures Over Accounts Payable Function

*Condition:* During the course of our engagement, we proposed an adjustment that would not have been identified as a result of the City’s existing internal controls, and therefore could have resulted in a misstatement of the financial statements.

*Criteria or Specific Requirement:* A good system of internal accounting control contemplates an adequate system for recording and processing entries significant to the financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Cause:* During our testing of the cutoff in accounts payable we identified one invoice for which services were provided prior to December 31, 2009, and thus should have been recorded as accounts payable at year-end.

*Recommendation:* A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels. This will minimize the risk of a misstatement occurring in the financial statements.

*Management’s Response:* The City will make an effort to review and reconcile all accounts in future years.

**Corrective Action Plan (CAP)**

1. *Action Planned in Response to the Finding:* Management plans on reviewing control processes to ensure cutoff procedures are properly executed.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Harlyn Ault, Finance Director
4. *Planned Completion Date for the Corrective Action:* Immediately.
5. *Plan to Monitor Completion of Corrective Action:* Harlyn Ault, Finance Director will monitor the implementation of this process.

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – NONE**