



Schedule of Expenditures of Federal Awards
December 31, 2010



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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

The Honorable Mayor and City Council
City of Moorhead
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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 6, 2011. 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 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 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 10-1, that we consider to be a significant deficiency in internal control over financial reporting. 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 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 6, 2011



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable Mayor and City Council
City of Moorhead
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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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. 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 \$1,511,590 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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, 2010, and have issued our report thereon dated June 6, 2011. 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.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 6, 2011

City of Moorhead
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures	
Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grant	N/A	14.218		\$ 165,439
Department of Justice				
Direct Programs:				
Community Capacity Development Office - Police Overtime	N/A	16.595	34,281	
Edward Byrne Memorial Justice Assistance Grant	N/A	16.738	38,018	
Passed through the State of Minnesota				
Enforcing Underage Drinking Laws Program - Impaired Driving Enforcement	5000006092	16.727	3,002	
Enforcing Underage Drinking Laws Program - College Enforcement	9200-2938	16.727	<u>6,974</u>	
Total CFDA #16.727				<u>9,976</u>
Total Department of Justice				82,275
Department of Transportation				
Direct Programs:				
Federal Transit Administration				
Federal Transit - Capital Investment Grants	N/A	20.500	616,480	
Federal Transit - Formula Grants, Capital	N/A	20.507	321,403	
Federal Transit - Formula Grants, Capital-ARRA	N/A	20.507	29,179	
Federal Transit - Formula Grants, Planning	N/A	20.507	<u>13,865</u>	
Total Federal Transit Cluster				980,927
Passed through the State of Minnesota:				
MNDOT Formula Grant, Non-Urbanized Area (RTAP)	T79-4100	20.509		467
Job Access and Reverse Commute Program Grant	95710	20.516	20,066	
New Freedom Program	95726	20.521	<u>17,278</u>	
Total CFDA #20.516 & #20.521				37,344
Airport Improvement Program	SP-1401-15	20.106	6,971	
Airport Improvement Program	SP-1401-16	20.106	167,200	
Airport Improvement Program	SP-1401-17	20.106	<u>9,264</u>	
Total CFDA #20.106				183,435
Highway Planning & Construction	N/A	20.205	4,966,205	
Highway Planning & Construction - ARRA	N/A	20.205	<u>1,455,225</u>	
Total CFDA #20.205				6,421,430
State and Community Highway Safety - 2010 Safe and Sober	9200-2788	20.600	24,402	
State and Community Highway Safety - 2011 Safe and Sober	9200-2979	20.600	<u>15,793</u>	
Total CFDA #20.600				<u>40,195</u>
Total Department of Transportation				7,663,798

City of Moorhead
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
Department of Commerce Passed through the State of Minnesota: Public Safety Interoperable Communications Grant Program	210-PSIC-00675	11.555	32,369
Department of Energy Direct Programs: Energy Efficiency and Conservation Block Grant Program - ARRA	N/A	81.128	146,000
Total Department of Transportation			
Environmental Protection Agency Passed through the State of Minnesota Water Pollution Control Revolving Fund	MPFA-06-0017-R-FY07	66.458	301,665
Department of Homeland Security Direct Programs: 2007 Staffing for Adequate Fire and Emergency Response (SAFER) Grant	N/A	97.044	111,081
2008 Assistance to Firefighters (AFG) Grant	N/A	97.044	4,327
Total CFDA #97.044			115,408
Passed through the State of Minnesota 2007 State Homeland Security Grant Program - Hazmat	2008-HSGP-00656	97.067	3,863
2008 State Homeland Security Grant Program - Hazmat	2009-HSGP-00322	97.067	33,028
2007 State Homeland Security Grant Program	2008-HSGP-00661	97.067	82,281
Total CFDA #97.067			119,172
Public Assistance Disaster Grant DR-1900	2000-14919	97.036	1,052,250
Hazard Mitigation Grant	HMGP 2000-14160	97.039	210,512
Total Department of Homeland Security			1,497,342
Total Expenditures of Federal Awards			<u>\$ 9,888,888</u>

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, or else there are certain pass-through entities that did not provide identifying numbers.

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

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ <u>X</u> yes	_____ none reported	

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported	

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes _____ X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507	Federal Transit Administration, ARRA - Federal Transit Administration
20.205	Highway Planning and Construction, ARRA - Highway Planning and Construction
81.128	ARRA - Energy Efficiency and Conservation Block Grant

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

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

B. Findings - Financial Statement Audit

Significant Deficiency

10-1 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, 2010, 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