



Schedule of Expenditures of Federal Awards  
December 31, 2012



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 <i>Government Auditing Standards</i> and the <i>Minnesota Legal Compliance Audit Guide for Political Subdivisions</i> .....	1
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by <i>OMB Circular A-133</i> .....	3
Schedule of Expenditures of Federal Awards .....	6
Notes to Schedule of Expenditures of Federal Awards .....	7
Summary Schedule of Prior Audit Findings .....	8
Schedule of Findings and Questioned Costs .....	9



**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 for Political Subdivisions**

The Honorable Mayor and City Council  
City of Moorhead  
Moorhead, Minnesota

We have audited, 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, the financial statements of the governmental activities, 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, 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 June 4, 2013. 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 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 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 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 yet 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*.

### **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 Political Subdivisions*, 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 Political Subdivisions* covers 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 audit included all of the listed categories. The results of our tests indicate that, for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

### **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 "Erik Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
June 4, 2013



**Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133***

The Honorable Mayor and City Council  
City of Moorhead  
Moorhead, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of Moorhead’s 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 the City’s major federal program for the year ended December 31, 2012. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The City’s basic financial statements include the operations of Moorhead Public Service (Electric and Water major proprietary funds) and the Moorhead Public Housing Agency (discretely presented component unit) which received \$916,767 and \$793,505, respectively, in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2012. Our audit, described below, did not include the operations of Moorhead Public Service and the Moorhead Public Housing Agency because the proprietary funds and component unit have separately issued audits in accordance with *OMB Circular A-133*.

**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 the compliance for the City of Moorhead’s major federal program 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 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major Federal program 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 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 its 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 of Moorhead'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 compliance requirement 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 that might be material weaknesses or significant deficiencies. 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.

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 City of Moorhead as of and for the year ended December 31, 2012, and have issued our report thereon dated June 4, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Fargo, North Dakota  
June 4, 2013

City of Moorhead, Minnesota  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures	
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Direct Programs:				
Community Development Block Grant	N/A	14.218	\$	266,984
<b>DEPARTMENT OF JUSTICE</b>				
Direct Programs:				
Community Capacity Development Office - Police Overtime	N/A	16.595	\$	36,822
BJA Bulletproof Vest Partnership Program	N/A	16.607		2,748
Passed through the Minnesota Institute of Public Health:				
Enforcing Underage Drinking Laws - Compliance Checks	460-5000-081	16.727	\$	1,200
Enforcing Underage Drinking Laws - Alternate Underage Drinking Enforcement	460-5000-114	16.727		850
Total CFDA #16.727				<u>2,050</u>
Total Department of Justice				41,620
<b>DEPARTMENT OF TRANSPORTATION</b>				
Direct Programs:				
Federal Transit Administration				
Capital - ARRA	N/A	20.500	46,692	
Operating	N/A	20.507	364,900	
Capital - non-ARRA	N/A	20.507	90,738	
Planning	N/A	20.507	<u>26,955</u>	
Total CFDA #20.500/20.507 cluster				529,285
Passed through the State of Minnesota:				
MNDOT Formula Grant, Non-Urbanized Area (RTAP)	T79-4100	20.509		2,187
New Freedom Program - 2011	97907	20.521	338	
New Freedom Program - 2012	269	20.521	<u>20,761</u>	
Total CFDA #20.521				21,099
Airport Improvement Program	SP-1401-17	20.106	10,000	
Airport Improvement Program	SP-1401-19	20.106	<u>151,072</u>	
Total CFDA #20.106				161,072
Highway Planning & Construction	N/A	20.205		2,670,635
State and Community Highway Safety - 2012 Safe and Sober	34430	20.600	5,138	
State and Community Highway Safety - 2013 Safe and Sober	34430	20.600	9,106	
State and Community Highway Safety - 2012 Safe and Sober	34430	20.602	<u>10,672</u>	
Total CFDA #20.600/20.602 cluster				24,916
State and Community Highway Safety - 2012 Safe and Sober	34430	20.608	11,692	
State and Community Highway Safety - 2013 Safe and Sober	34430	20.608	<u>9,597</u>	
Total CFDA #20.608				21,289
Total Department of Transportation				3,430,483
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs:				
2007 Staffing for Adequate Fire and Emergency Response (SAFER) Grant	EMW-2007-FF-01186	97.044	15,831	
2011 Assistance to Firefighters Grant	EMW-2011-FO-04226	97.044	<u>66,971</u>	
Total CFDA #97.044				82,802
2009 State Homeland Security Grant Program	2010-SHSP-00576	97.067	35,994	
2010 State Homeland Security Grant Program	2010-SHSP-00701	97.067	<u>14,331</u>	
Total CFDA #97.067				<u>50,325</u>
Total Department of Homeland Security				<u>133,127</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$</u>	<u><u>3,872,214</u></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:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

*Federal Awards*

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> 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 Section 510(a) of OMB Circular A-133?	<u>      </u> yes	<u>  X  </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000	
Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>      </u> no

**B. Findings - Financial Statement Audit – None**

**C. Major Federal Award Programs Audit – None**

**D. Minnesota Legal Compliance Findings - None**