

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2005**

**CITY OF MOORHEAD,
MINNESOTA**

CITY OF MOORHEAD, MINNESOTA

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CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 basic financial statements of the **City of Moorhead**, Minnesota, as of and for the year ended December 31, 2005, and have issued our report thereon dated March 24, 2006. 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 and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes, Section 6.65.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Moorhead**, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

The *Minnesota Legal Compliance Audit Guide for Local Government* 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 study included all of the listed categories. The results of our tests disclosed one instance of noncompliance that is required to be reported under the *Minnesota Legal Compliance Audit Guide for Local Government*. The finding is reported as finding 05-1 in the attached schedule of findings.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered **City of Moorhead**, Minnesota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management 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
March 24, 2006



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND 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, 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, 2005. **City of Moorhead**, Minnesota's major 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 City of Moorhead, Minnesota's management. Our responsibility is to express an opinion of **City of Moorhead**, Minnesota's compliance based on our audit.

We conducted our audit 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 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 Moorhead**, Minnesota'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 on **City of Moorhead**, Minnesota's compliance with those requirements.

In our opinion, **City of Moorhead**, Minnesota 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, 2005. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

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Internal Control Over Compliance

The management of **City of Moorhead**, Minnesota 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 **City Of Moorhead**, Minnesota'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the **City of Moorhead**, Minnesota as of and for the year ended December 31, 2005, and have issued our report thereon dated March 24, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken 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 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 the audit committee, management, 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
March 24, 2006

CITY OF MOORHEAD
MOORHEAD, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
<i>DEPARTMENT OF COMMERCE</i>			
Direct Programs:			
EDA Public Works Assistance		11.300	\$ 496,914
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>			
Direct Programs:			
Community Development Block Grant		14.218	391,438
<i>DEPARTMENT OF JUSTICE</i>			
Direct Programs:			
BJA Armored Vests		16.607	4,718
Police Overtime		16.595	10,357
Passed through Minnesota Department of Public Safety			
Drug Task Force		16.579	75,000
Direct Programs:			
Cops in Schools		16.710	90,374
Total Cluster			165,374
Passed through Minnesota Department of Public Safety			
Alcohol Compliance		16.727	2,190
Passed through Minnesota Department of Public Safety			
Edward Byrne Justice Admin (JAG)		16.738	3,119
Total Department of Justice			185,758
<i>DEPARTMENT OF TRANSPORTATION</i>			
Direct Programs:			
Federal Transportation Assistance			
Operating		20.507	62,058
Capital		20.507	242,670
Total CFDA #20.507			304,728
MNDOT Formula Grants	T79-4100	20.509	1,046
Passed through the State of Minnesota			
Highway Planning & Construction		20.205	1,998,086
MNDOT Metropolitan Planning Grant		20.505	7,808

(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
Safe Communities	97-0118	20.600	5,602
Heat Project		20.600	2,014
Safe and Sober		20.600	19,070
Total CFDA #20.600			<u>26,686</u>
Total Department of Transportation			<u>2,338,354</u>
<i>DEPARTMENT OF TREASURY</i>			
Direct Programs:			
G.R.E.A.T. Program		21.052	<u>48,314</u>
<i>ENVIRONMENTAL PROTECTION AGENCY</i>			
Passed through the State of Minnesota			
Water Pollution Control Revolving Fund		66.458	3,135,096
Brownfields Assessment & Cleanup		66.818	<u>87,610</u>
Total Environmental Protection Agency			<u>3,222,706</u>
<i>DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</i>			
Passed through the State of Minnesota			
Flood buy out DR 1370		83.544	<u>132,866</u>
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES</i>			
Passed through the State of Minnesota			
Child Justice		93.563	<u>8,983</u>
<i>DEPARTMENT OF HOMELAND SECURITY</i>			
Passed through the State of Minnesota			
2004 Get 40028 HSG		97.004	191,700
Assistance to Firefighters		97.044	<u>85,185</u>
Total Department of Homeland Security			<u>276,885</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 7,102,218</u></u>

**CITY OF MOORHEAD
MOORHEAD, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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
MOORHEAD, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2005

NONE.

CITY OF MOORHEAD
MOORHEAD, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2005

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 reportable condition was disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and *Minnesota Legal Compliance Guide for Local Government*.
3. No instances of noncompliance material to the financial statements of the **City of Moorhead** were disclosed during the audit.
4. No reportable conditions were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the **City of Moorhead** expresses an unqualified opinion on all major federal programs.
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 major programs were Highway Planning and Construction, CFDA #20.205, EDA and Water Pollution Control Revolving Fund, CFDA #66.458.
8. The threshold for distinguishing a Type A program was \$300,000.
9. The **City of Moorhead** was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT – NONE

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT – NONE

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

FINDING 05-1 – Minnesota Statutes 118A.03 states that if a government entity desires to deposit an amount in excess of deposit insurance, it must obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit at the close of the banking day. At December 31, 2005, the City's deposits at Gate City Bank were under collateralized.

CORRECTIVE ACTION PLAN

- a. Explanation of Disagreement with Audit Finding – There is no disagreement with the audit finding.
- b. Actions Planned in Response to Finding – The City will obtain collateral from Gate City Bank.
- c. Official Responsible for Ensuring CAP – Harlyn Ault, Finance Director, is responsible for ensuring corrective action of the deficiency.
- d. Planned Completion Date for CAP – April 1, 2006
- e. Plan to Monitor Completion of CAP – Harlyn Ault, Finance Director, will monitor obtaining adequate collateral from Gate City Bank.