

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**MANAGEMENT AND COMPLIANCE REPORT  
PREPARED AS A RESULT OF THE AUDIT OF**

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**For the Year Ended December 31, 2010**



**Management and Compliance Report**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs	1
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>	10
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	13
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	19

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Clay County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Clay County and are 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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Clay County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "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 significant deficiency is not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Clay County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Clay County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
  - Highway Planning and Construction CFDA #20.205
  - Temporary Assistance for Needy Families (TANF) CFDA #93.558
  - Child Support Enforcement (IV-D) Cluster
  - Child Support Enforcement (IV-D) CFDA #93.563
  - Child Support Enforcement (IV-D) - ARRA CFDA #93.563

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Clay County was not determined to be a low-risk auditee.

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of office personnel within Clay County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Clay County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Segregation of duties is defined as an arrangement of responsibilities such that the work of one employee is checked by another. Ideally, no single individual should be able to: (1) authorize a transaction, (2) record the transaction in the books of account, and (3) ensure custody of the assets resulting from the transaction. The three elements of a transaction--authorization, recording, and custody--should be separated whenever possible.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend that Clay County's management be aware of the lack of segregation of the accounting functions and implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff.

Client's Response:

*Clay County is aware of the lack of segregation of duties in some of the smaller departments and has implemented oversight procedures to ensure that internal control policies and procedures are being implemented by staff.*



## 08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing; and
- payroll.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

### Client's Response:

*Clay County has established an Internal Control/Fraud Risk Assessment Committee and will review and document areas of risk and implement procedures and policies to minimize potential risks.*

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

#### ITEM ARISING THIS YEAR

#### 10-1 Davis-Bacon Act, (CFDA #20.205 - Highway Planning and Construction)

Contract language did not provide that the contractor pay federal prevailing wages for services on a project funded with federal funds. Because the contract did not provide any indication the contract was federally funded, the contractor did not submit weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) as required by the Davis-Bacon Act. In addition, contract files did not contain documentation of compliance with the special provisions required by the state to document compliance relating to Disadvantaged Business Enterprises and Equal Employment and Affirmative Action.

The Davis-Bacon Act (23 U.S.C. 113) requires contractors and subcontractors performing work on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under recordkeeping for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." This must be completed within seven days after the regular pay date for the pay period.

The Engineer stated that he thought this contract would be less than \$100,000, so they did not go through the formal bidding process and used a basic contract for the project. There should be a process in place to ensure proper language is used for all contracts funded with federal dollars and that compliance requirements are monitored by the County.

We recommend that the County comply with Davis-Bacon Act requirements by having contractors submit the certification and copies of payrolls within seven days after the regular pay date for the pay period. We further recommend the County comply with the special provisions and retain documentation of compliance in the contract files. Processes should be in place to ensure compliance on all federal contracts.

#### Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*David Overbo, County Engineer*

Corrective Action Planned:

*All County projects, whether they are State, Federal, County or ER will be run through the same State Aid/Federal Aid process and a checklist will be set up for each project to ensure this is done. In the future all Fed Aid projects will be run through the formal bidding process. In the future all DBE and EEO compliance regulations will be followed for all State and Federal projects.*

Anticipated Completion Date:

*January 2012*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**A. MINNESOTA LEGAL COMPLIANCE**

ITEM ARISING THIS YEAR

10-2 Bidding

Clay County entered into a contract totaling \$100,754 with Central Specialties for the construction of County State Aid Highway 26 state project Number S.P. 14-999-04 without bidding as required by Minn. Stat. § 471.345, subd. 3. This statute requires contracts expected to exceed \$100,000 to be made based on sealed bids solicited by public notice.

In 2009, Clay County received quotes for the project from Knife River in the amount of \$109,088 and from Central Specialties for \$105,651; however, the County had not received approval for the project, so a different project was completed. Based on the previous year's quotes, the County should have anticipated the project amount to exceed \$100,000 and solicited sealed bids rather than obtaining new quotes. The actual cost of the project amounted to \$115,884.

We recommend the County solicit bids for all contracts expected to exceed \$100,000, as required by Minn. Stat. § 471.345, subd. 3.

Client's Response:

*All future Federal Aid projects will comply with Minn. Stat. 471.345, Subd. 3. Any State or County Aid projects estimated to be over \$85,000 will require an additional review and special discussion whether the formal bidding process is warranted or not.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-1 Road and Bridge Fund Balance Deficit

At December 31, 2010, the Road and Bridge Special Revenue Fund had a fund balance deficit of \$2,341,721.

The deficit fund balance resulted from the completion of construction projects funded through advance payments of future state allotments. These allotments will be recognized as revenue when the state makes the 2011 appropriation.

We recommend the County Board monitor the financial activities of the Road and Bridge Special Revenue Fund to determine if ongoing conditions exist that affect the financial condition of the fund.

Client's Response:

*Clay County will monitor, more closely, the financial activities of the Road and Bridge fund throughout the year.*

ITEM ARISING THIS YEAR

10-3 Payment of Annual Street Allotments

Clay County and the City of Moorhead entered into a Memorandum of Understanding dated April 12, 2005, which provides cost sharing for road maintenance/reconstruction and debt service costs. Through this Memorandum of Understanding, the County is obligated to pay the City an annual allotment for the City's share of those costs.

To request their annual allotment, the City of Moorhead sends a letter to the Clay County Engineer. The request for the 2009 allotment, in the amount of \$333,675, was dated February 19, 2010. The request for the 2010 allotment, in the amount of \$337,166, was dated February 17, 2011. Payment for the two years was made on June 15, 2011.

Allowing commitments with the City to go unpaid for extended periods of time may potentially result in strained relations and less cooperation with the City on future projects. The County maintains their financial system on a cash basis throughout the year. Allowing large commitments to go unpaid for extended periods of time could result in misunderstandings of resources available for meeting other budget commitments.

The County Engineer stated that as the City expands and takes over County roads, the agreements may need to be adjusted to ensure the County is not paying more than an appropriate amount. He stated that it was his intent to meet with the City Engineer to discuss the payment and amount, but both departments have been very busy, so a meeting was not scheduled.

We recommend the County evaluate its procedures for meeting their allotment obligations. If changes to the Memorandum of Understanding are necessary, a meeting to negotiate the new terms should take place without delay. Future payments should be timely and in accordance with the agreement in place detailing the commitment.

Client's Response:

*In discussing this matter with the City Engineer, it was decided to meet annually to discuss Road and Bridge collaborative agreements and other business involving the County and City. The meeting will be held annually after construction. At this meeting, we will discuss the annual payment for County Road Maintenance within the City limits by the City Maintenance Department as well as other turnbacks and cooperative projects that are underway.*

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Clay County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

#### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should

comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

[http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).

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## **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***

Board of County Commissioners  
Clay County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clay County's internal control over financial reporting as a basis for designing our auditing procedures 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County'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 certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-4 and 08-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting 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 Clay County'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 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* 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, except that we did not test for compliance in tax increment financing because Clay County has no tax increment financing districts.

The results of our tests indicate that, for the items tested, Clay County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 10-2.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to the County, and they are reported for that purpose.

Clay County's written responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Clay County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011

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## **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**

Board of County Commissioners  
Clay County

### Compliance

We have audited Clay County's compliance of 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. Clay County'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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 Clay County'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 County's compliance with those requirements.

In our opinion, Clay County 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 Clay County 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 County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 County'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 10-1. A significant deficiency in internal control over compliance is a deficiency, or 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.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended December 31, 2010, and have issued our report thereon dated September 28, 2011. Our audit was performed for the purpose of forming opinions on Clay County's financial statements that collectively comprise the County's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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. The SEFA 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 SEFA has been subjected to the auditing procedures applied in the audit of the basic 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 SEFA is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Clay County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within Clay County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 12,190
National School Lunch Program	10.555	20,721
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	212,330
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	324,705
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>13,299</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 583,245</u></b>
<b>U.S. Department of Commerce</b>		
Passed Through the Department of Public Safety and the Headwaters Regional Development Commission		
Public Safety Interoperable Communications Grant Program	11.555	<b><u>\$ 67,454</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<b><u>\$ 51,777</u></b>
<b>U.S. Department of the Interior, Fish and Wildlife Service</b>		
Direct		
Fish and Wildlife Management Assistance	15.608	<b><u>\$ 21,129</u></b>
<b>U.S. Department of Justice</b>		
Passed through Minnesota Department of Public Safety		
Juvenile Accountability Block Grants	16.523	\$ 15,625
Enforcing Underage Drinking Laws Program	16.727	3,240
Edward Byrne Memorial Justice Assistance Grant Program	16.738	53,148
Passed through Minnesota Department of Public Safety and City of Moorhead		
Edward Byrne Memorial Formula Grant Program	16.579	36,000
Direct		
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	86,179
Edward Byrne Memorial Formula Grant Program	16.579	<u>32,370</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 226,562</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Labor</b>		
Direct		
Employee Benefits Security Administration - ARRA	17.151	<u>\$ 2,040</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 3,418,304
Formula Grants for Other Than Urbanized Areas	20.509	801
Passed through Minnesota Department of Public Safety		
Highway Safety Cluster		
Safety Belt Performance Grants	20.609	9,702
Passed through Minnesota Department of Public Safety and City of Moorhead		
Highway Safety Cluster		
State and Community Highway Safety	20.600	4,202
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>3,064</u>
<b>Total U.S. Department of Transportation</b>		<u><b>\$ 3,436,073</b></u>
<b>U.S. Department of Energy</b>		
Passed Through Minnesota Department of Commerce		
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	<u>\$ 56,893</u>
<b>U.S. Department of Education</b>		
Passed Through Minnesota Department of Human Services		
State Fiscal Stabilization Fund - Government Services, Recovery Act - ARRA	84.397	<u>\$ 2,308</u>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	<u>\$ 19,184</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 84,501
Universal Newborn Hearing Screening	93.251	300
Immunization Cluster		
Immunization Grants	93.268	2,820
Immunization - ARRA	93.712	3,128
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	36,719
Temporary Assistance for Needy Families	93.558	94,898
Child Abuse and Neglect Discretionary Activities	93.670	6,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	100,187
Maternal and Child Health Services Block Grant to the States	93.994	71,649

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	38,689
Promoting Safe and Stable Families	93.556	10,810
Temporary Assistance for Needy Families	93.558	885,073
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	1,005,796
Child Support Enforcement - ARRA	93.563	84,408
Child Care Cluster		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	48,510
Child Care and Development Block Grant	93.575	4,381
Refugee and Entrance Assistance - State Administered Programs	93.566	345
Stephanie Tubbs Jones Child Welfare Services Program	93.645	27,681
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	439,719
Foster Care Title IV-E - ARRA	93.658	38,230
Social Services Block Grant	93.667	378,588
Chafee Foster Care Independence Program	93.674	15,107
Children's Health Insurance Program	93.767	463
Medical Assistance Program	93.778	1,119,530
Block Grants for Community Mental Health Services	93.958	49,215
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 4,546,747</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 366,166
Emergency Management Performance Grants	97.042	24,594
Passed Through Minnesota Department of Public Safety and the Northwest Regional Development Commission		
Homeland Security Grant Program	97.067	43,708
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 434,468</b>
<b>Total Federal Awards</b>		<b>\$ 9,447,880</b>

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Clay County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 9,669,947
Grants received in 2006, recognized in 2010	
Help America Vote Act Requirements Payments	19,184
Grants received more than 60 days after year-end, deferred in 2010	
Highway Planning and Construction	206,589
Public Transportation for Non-Urbanized Areas	108,599
Employee Benefits Security Administration - ARRA	408
Deferred in 2009, recognized as revenue in 2010	
Highway Planning and Construction	(366,196)
Public Transportation for Non-Urbanized Areas	(107,798)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(82,853)
	\$ 9,447,880
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 9,447,880

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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5. Subrecipients

During 2010, the County did not pass any money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.