

OTHER REPORT SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

REPORT ON LEGAL COMPLIANCE

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Thief River Falls, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City of Thief River Falls, Minnesota's basic financial statements and have issued our report thereon dated June 15, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. No. 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 covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and city miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Thief River Falls, Minnesota complied with the material terms and conditions of the applicable legal provisions.

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

A handwritten signature in cursive script that reads "Brady Martz".

BRADY, MARTZ & ASSOCIATES, P.C.

June 15, 2010

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Thief River Falls, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City of Thief River Falls, Minnesota's basic financial statements and have issued our report thereon dated June 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Thief River Falls, Minnesota'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 City of Thief River Falls, Minnesota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Thief River Falls, Minnesota'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Thief River Falls, Minnesota'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*.

This report is intended solely for the information and use of management, City Council, others within the city, 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 cursive script that reads "Brady, Marty".

BRADY, MARTZ & ASSOCIATES, P.C.

June 15, 2010



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO PASSENGER FACILITY CHARGES
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH PASSENGER FACILITY CHARGE GUIDE FOR PUBLIC AGENCIES**

To the Honorable Mayor
and Members of the City Council
City of Thief River Falls
Thief River Falls, Minnesota

Compliance and Other Matters

We have audited the compliance of City of Thief River Falls, Minnesota, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") for its passenger facility charge program for the year ended December 31, 2009. Compliance with the requirements of laws and regulations pertaining to the passenger facility charge program is the responsibility of the City of Thief River Falls, Minnesota's management. Our responsibility is to express an opinion on the City of Thief River Falls, Minnesota'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 the Guide. Those standards 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Thief River Falls, 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 of the City of Thief River Falls, Minnesota's compliance with those requirements.

In our opinion, the City of Thief River Falls, Minnesota complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City of Thief River Falls, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program. In planning and performing our audit, we considered the City of Thief River Falls, Minnesota's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. 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 significant deficiency 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 non-compliance with applicable requirements of laws and regulations that would

be material in relation to the passenger facility charge 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.

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

A handwritten signature in cursive script that reads "Brady, Marty".

BRADY, MARTZ & ASSOCIATES, P.C.

June 15, 2010

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF PASSENGER FACILITY CHARGES AND RELATED EXPENDITURES
YEAR ENDED AND EACH QUARTER FROM JANUARY 2009 THROUGH DECEMBER 31, 2009

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
Balance, January 1, 2009	\$	\$	\$	\$	\$
Passenger Facility Charges	1,681	2,147	2,104	2,164	8,096
Interest Earnings					
Disbursements	<u>(1,681)</u>	<u>(2,147)</u>	<u>(2,104)</u>	<u>(2,164)</u>	<u>(8,096)</u>
Balance, December 31, 2009	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

CITY OF THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PASSENGER FACILITY CHARGE
PROGRAM
December 31, 2009

I. Summary of Auditors' Results

- i) An unqualified report was issued on the December 31, 2009 financial statements of the City of Thief River Falls, Minnesota.
 - ii) No non-compliance, which is material to the financial statements, was disclosed by the audit.
 - iii) An unqualified opinion was issued on compliance for the passenger facility charge program.
- II. There were no findings related to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.
- III. There were no findings related to the *Passenger Facility Charge Audit Guide for Public Agencies*, which are required to be reported.