



Federal Awards Reports in Accordance with the Uniform  
Guidance

December 31, 2017

City of Fargo, North Dakota

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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***

The Honorable Mayor and  
Members of City Commission  
City of Fargo, North Dakota  
Fargo, North Dakota

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2017, 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 7, 2018.

**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 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 that are required to be reported under *Government Auditing Standards*.

**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 cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota  
June 7, 2018



**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 the Uniform Guidance**

The Honorable Mayor and  
Members of City Commission  
City of Fargo, North Dakota  
Fargo, North Dakota

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

We have audited the City of Fargo, North Dakota’s (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2017. 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.

**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’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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Each 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, 2017.

### **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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 7, 2018, which contained unmodified opinions 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 the Uniform Guidance 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 expenditures 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".

Bismarck, North Dakota  
June 7, 2018

City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2017

	CFDA Numbers	Agency or Pass Through Number	Expenditures	Amounts Passed- Through to Subrecipients
<b>Department of Agriculture</b>				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	G15.880A & G17.452	537,720	
Total Department of Agriculture				537,720
<b>Department of Housing and Urban Development</b>				
<i>Direct Federal Funding:</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	N/A	866,908	533,539
Home Investment Partnerships Program	14.239	N/A	385,162	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services				
Community Development Block Grants/State's Program	14.228	2457-NSP09	87,488	
Emergency Solutions Grant Program	14.231	4017-ESG16 & 4211-ESG17	30,281	
Total Department of Housing and Urban Development				1,369,839
				533,539
<b>Department of the Interior</b>				
<i>Indirect Federal Funding passed through-</i>				
North Dakota State Historical Society				
Historic Preservation Fund Grants In-Aid	15.904	38-2016-141296-27	420	
Total Department of the Interior				420
<b>Department of Justice</b>				
<i>Direct Federal Funding:</i>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	82,325	
<i>Indirect Federal Funding passed through-</i>				
Cass County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-H3010-ND-DJ	41,302	9,750
State of North Dakota Office of Attorney General				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16217	9,750	
CFDA subtotal			51,052	
Missing Children's Assistance	16.543	16801	6,400	
Total Department of Justice				139,777
				9,750



City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2017

	CFDA Numbers	Agency or Pass Through Number	Expenditures	Amounts Passed- Through to Subrecipients
<b>Department of Transportation</b>				
<i>Direct Federal Funding:</i>				
Airport Improvement Program	20.106	N/A	5,824,073	
Federal Transit Capital Investment Grants	20.500	N/A	1,989	
Federal Transit Formula Grants	20.507	N/A	2,397,121	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Transportation Bus and Bus Facilities Formula Program Total Federal Transit Cluster	20.526	38150106B & 38171124	<u>219,919</u>	2,619,029
Transit Services Program Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38161174	128,000	
Highway Safety Cluster National Priority Safety Programs	20.616	PHSPOP1705-05-09, PHSPID1710-02-08, PHSPID1710-12-04, PHSPDD1711-02-04, PHSPID1710-03-02, PHSPOP1805-05-06, PHSPID1810-02-05, & PHSPID1810-12-02	<u>57,944</u>	
Total Department of Transportation				8,629,046
<b>Environmental Protection Agency</b>				
<i>Direct Federal Funding:</i>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	72,540	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health Clean Water State Revolving Funds Cluster Capitalization Grants for Clean Water State Revolving Funds	66.458	380715-02	912,590	
Drinking Water State Revolving Funds Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-03	<u>33,866,080</u>	
Performance Partnership Grants	66.605	G13.1245, G15.820, & G17.305	<u>1,592</u>	
Total Environmental Protection Agency				34,852,802

City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2017

	CFDA Numbers	Agency or Pass Through Number	Expenditures	Amounts Passed- Through to Subrecipients	
<b>Department of Health and Human Services</b>					
<i>Indirect Federal Funding passed through-</i>					
North Dakota Department of Health					
Public Health Emergency Preparedness	93.069	G15.729B, G15.764, 15.716, G17.016, G17.040, & G17.066	449,663	25,219	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF15.261	23,955		
Family Planning Services	93.217	G15.672 & G17.222	171,424		
Immunization Cooperative Agreements	93.268	15.1017	8,582		
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	15.1097	2,000		
PPHF Capacity Building Assistance to Strengthen Public Health Immunization	93.539	15.1017 & G17.300	82,298		
Cancer Prevention and Control Programs	93.752	PF15.207	64,807		
Preventive Health and Health Services Block Grant funded solely with PPHF	93.758	G15.943, G15.954, G17.427, & G17.441	30,217		
Cancer Prevention and Control Programs	93.898	PF17.029	30,650		
HIV Care Formula Grants	93.917	PF15.152B & G15-1063	270,799		
HIV Prevention Activities Health Department Based	93.940	PF15.275 & G17.569	54,874		
Maternal and Child Health Services Block Grant to the States	93.994	G15.541A, G17.222, & G17.435	153,233	5,712	
Lutheran Social Services					
Refugee and Entrant Assistance Discretionary Grants	93.576	90RX0245-03 & 2018-HP-3	24,189		
Total Department of Health and Human Services				1,366,691	30,931
<b>Department of Homeland Security</b>					
<i>Indirect Federal Funding passed through-</i>					
State of North Dakota Department of Emergency Services					
Hazard Mitigation Grant	97.039	FEMA-1981-DR-30-R & FEMA-1981-DR-9-R	4,219,458		
Homeland Security Grant Program	97.067	14, 14, 15, 35, 36, 48, 91, & 92	243,769		
Cass County					
Emergency Management Performance Grants	97.042	9 & 9	59,637		
Total Department of Homeland Security				4,522,864	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 51,419,159</b>	<b>\$ 574,220</b>	

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

**Note B – Summary of Significant Accounting Policies**

Expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

**Note C – Indirect Cost Rate**

The City has not elected to use the 10% de minimis cost rate.

**Note D – Loan Programs**

As of December 31, 2017, the City’s liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans (CFDA # 66.458 and 66.468) is \$119,916,997.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,542,575
Auditee qualified as low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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No findings reported

No findings reported in the prior year

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**Section III – Federal Award Findings and Questioned Costs**

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No findings reported

No findings reported in the prior year