



Federal Awards Reports in Accordance with the Single
Audit Act and OMB Circular A-133
December 31, 2013

City of Fargo, North Dakota

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>	1
Independent Auditor’s Report on Compliance for Each 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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	12



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, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 29, 2014.

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 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 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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
May 29, 2014



Independent Auditor's Report on Compliance for Each 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
Members of City Commission
City of Fargo, North Dakota
Fargo, North Dakota

Report on Compliance for Each 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are 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 each of the City's major federal programs 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 each 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 each of its major Federal programs for the year ended December 31, 2013.

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 each 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'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 as of and for the year ended December 31, 2013, and have issued our report thereon dated May 29, 2014, 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 Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Fargo, North Dakota
May 29, 2014

City of Fargo, North Dakota
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

	CFDA Numbers	Agency or Pass Through Number	Expenditures	
Department of Agriculture				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	G11.813A & G13.338	<u>\$ 399,514</u>	
Total Department of Agriculture				\$ 399,514
Department of Housing and Urban Development				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	247,820	
HOME Investment Partnerships Program	14.239	N/A	504,701	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services Community Development Block Grants/State's Program	14.228	2457-NSP09	344,824	
Emergency Solutions Grant Program	14.231	3347-ESGP12 &	<u>23,247</u>	
Total Department of Housing and Urban Development				1,120,592
Department of the Interior				
<i>Indirect Federal Funding passed through-</i>				
North Dakota State Historical Society Historic Preservation Fund Grants In-Aid	15.904	38-12-41941-27	<u>2,852</u>	
Total Department of the Interior				2,852
Department of Justice				
<i>Direct Federal Funding:</i>				
Bulletproof Vest Partnership Program	16.607	N/A	12,774	
Public Safety Partnership and Community Policing Grants	* 16.710	N/A	61,622	
ARRA - Public Safety Partnership and Community Policing Grants	* 16.710	N/A	<u>96,656</u>	
CFDA subtotal			158,278	
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	99,305	
<i>Indirect Federal Funding passed through-</i>				
City of West Fargo Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2199 &	43,519	
Office of Attorney General Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-210	<u>5,203</u>	
JAG Program Cluster			148,027	
State of North Dakota Highway Patrol Enforcing Underage Drinking Laws Program	16.727	2012-1	<u>3,441</u>	
Total Department of Justice				322,520
U.S. Department of Transportation				
<i>Direct Federal Funding:</i>				
Airport Improvement Program	20.106	N/A	3,069,717	
Federal Transit Capital Investment Grants	* 20.500	N/A	1,163,519	
Federal Transit Formula Grants	* 20.507	N/A	<u>2,270,440</u>	
Federal Transit Cluster			3,433,959	
Clean Fuels	* 20.519	N/A	1,029,200	
Payments for Small Community Air Service Development	20.930	N/A	442,275	
Highway Planning and Construction	20.205	N/A	60,092	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Transportation				
Highway Planning and Construction - Flood Repairs - AC-CER-8-984(144)147	20.205	38120440	1,780	
Highway Planning and Construction - Flood Repairs - AC-CER-8-984(145)148	20.205	38120441	1,600	
Non-Cash Assistance - Highway Planning and Construction - I94 Shared Use Path Bridge	20.205	38122306	376,640	
Non-Cash Assistance - Highway Planning and Construction - Traffic Signal Improvements - #6208	20.205	38130089	14,135	
Non-Cash Assistance - Highway Planning and Construction - Shared Use Path - #6157	20.205	38130143	<u>280,000</u>	
CFDA subtotal			734,247	
Job Access and Reverse Commute Program	20.516	38121418 & 38131466	90,103	
New Freedom Program	20.521	38121419 & 38131467	<u>58,720</u>	
Transit Services Programs Cluster			148,823	
State and Community Highway Safety	20.600	PHSP4021305-04-08 &	7,641	
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PHSP4101303-01-09,	<u>21,798</u>	
Highway Safety Cluster			29,439	
Total Department of Transportation				8,887,660

City of Fargo, North Dakota
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

	CFDA Numbers	Agency or Pass Through Number	Expenditures
National Endowment for the Arts			
<i>Direct Federal Funding:</i>			
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	11,489
Total National Endowment for the Arts			11,489
National Endowment for the Humanities			
<i>Indirect Federal Funding passed through-</i>			
American Library Association			
Promotion of the Humanities Public Programs	45.164	2194	3,459
Total National Endowment for the Humanities			3,459
Environmental Protection Agency			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Health			
Capitalization Grants for Clean Water State Revolving Funds	66.458	380715-02 & 380684-06	462,331
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-03	2,459,433
Performance Partnership Grants	66.605	11.038, 11.795,	1,689
Total Environmental Protection Agency			2,923,453
U.S Department of Energy			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Division of Community Services			
State Energy Program	81.041	3459-SEP13-T	9,867
Total Department of Energy			9,867
Department of Health and Human Services			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Health			
Public Health Emergency Preparedness	93.069	11.221A, 11.238, 11.251B,	488,299
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF11.338	17,000
Family Planning Services	93.217	G11.689 & G13.112A	162,102
Immunization Cooperative Agreements	93.268	11.944A	67,234
CDC and Prevention Investigations and Technical Assistance	93.283	PF11.222B & 13.437	31,560
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521	11.100	2,600
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	PF11.255A	60,863
HIV Care Formula Grants	93.917	PF11.173A & PF11.395	121,486
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	PF13.029	33,040
HIV Prevention Activities Health Department Based	93.940	PF11.323	19,660
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	G13.112A	2,576
Maternal and Child Health Services Block Grant to the States	93.994	G11.609 & G13.125	114,498
Lutheran Social Services			
Refugee and Entrant Assistance Discretionary Grants	93.576	2013-32A	29,061
Total Department of Health and Human Services			1,149,979

City of Fargo, North Dakota
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

	CFDA Numbers	Agency or Pass Through Number	Expenditures
Office of Homeland Security			
<i>Direct Federal Funding:</i>			
Staffing for Adequate Fire and Emergency Response	97.083	N/A	33,973
<i>Indirect Federal Funding passed through-</i>			
State of North Dakota Department of Emergency Services Disaster Grants - Public Assistance	* 97.036	N/A	2,098,362
State of North Dakota DEM			
Hazard Mitigation Grant - Mickelson Field Area Flood Risk Management	* 97.039	FEMA-1981-DR-30-R	563,768
Hazard Mitigation Grant - COF Lift Station #2	* 97.039	FEMA-1981-DR-23-R	26,519
Hazard Mitigation Grant - Flood Protection for Raw Water Pump Station	* 97.039	FEMA-1986-DR-5-R	5,805
Hazard Mitigation Grant - Water Treatment Plan Isolation Valve	* 97.039	FEMA-1986-DR-6-R	<u>7,024</u>
CFDA subtotal			603,116
Cass County			
Non-Cash Assistance - Emergency Management Performance Grants	97.042	61 & 62	12,000
Cass County			
Homeland Security Grant Program	97.067	79	14,890
State of North Dakota DEM			
Homeland Security Grant Program	97.067	162, 141, 173, & 130	129,793
City of West Fargo			
Non-Cash Assistance - Homeland Security Grant Program	97.067	165	<u>90,479</u>
CFDA subtotal			<u>235,162</u>
Total Office of Homeland Security			2,982,613
Total Expenditures of Federal Awards			<u><u>\$ 17,813,998</u></u>

* Denotes a major program

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. 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.

Note B – 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 – Subrecipients of Grant Awards

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

<u>Subrecipients provided federal awards</u>	<u>CFDA #</u>	<u>Dollar Amount</u>
Skills and Technology Training Center	14.218	\$ 7,776
Village Financial Service Center	14.218	24,441
Total for CFDA #14.218		<u>32,217</u>
Fargo Public Schools	16.710	<u>53,299</u>
Rape & Abuse Crisis Center	16.738	<u>5,203</u>
Richland County Health Department	93.069	3,000
Clay County Health Department	93.069	13,973
Total for CFDA #93.069		<u>16,973</u>
Total passed to subrecipients		<u><u>\$ 107,692</u></u>

Note D – General

As of December 31, 2013, the City’s liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans is \$71,405,213.

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 OMB Circular A-133 §.510(a):	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Federal Transit Cluster	20.500 & 20.507
Clean Fuels	20.519
Disaster Grants - Public Assistance	97.036
Hazard Mitigation Grants	97.039
ARRA - Public Safety Partnership and Community Policing Grant and Public Safety Partnership and Community Policing Grants	16.710

Dollar threshold used to distinguish between type A and type B programs:	\$ 534,420
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No findings reported

Section III – Federal Award Findings and Questioned Costs

No findings reported

No findings reported in the prior year