



Federal Awards Reports in Accordance with the Single  
Audit Act and Uniform Guidance  
December 31, 2015

**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, 2015, 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 29, 2016.

**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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed address and date.

Bismarck, North Dakota  
June 29, 2016



**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 the Uniform Guidance**

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 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, 2015. 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 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 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, 2015.

## **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 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2016, 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.

*Eide Bailly LLP*

Bismarck, North Dakota  
June 29, 2016

City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

	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	10.557	G13.338B & G13.1049	\$ 455,491	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578	G13.1049A	<u>7,855</u>	
WIC Grants to States				
Total Department of Agriculture				\$ 463,346
<b>Department of Housing and Urban Development</b>				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,065,626	641,427
HOME Investment Partnerships Program	14.239	N/A	459,209	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services	14.228	2457-NSP09	209,388	
Community Development Block Grants/State's Program	14.231	3489-ESG14 & 3691-ESG15	<u>32,332</u>	
Emergency Solutions Grant Program				
Total Department of Housing and Urban Development				1,766,555 641,427
<b>Department of the Interior</b>				
<i>Indirect Federal Funding passed through-</i>				
North Dakota State Historical Society	15.904	38-14-51941-27 & 38-15-131233-27	<u>8,382</u>	
Historic Preservation Fund Grants In-Aid				
Total Department of the Interior				8,382
<b>Department of Justice</b>				
<i>Direct Federal Funding:</i>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	147,387	
<i>Indirect Federal Funding passed through-</i>				
Cass County	16.738	2013-H4290-ND-DJ & 2014-H3242-ND-DJ & 2015- H2469-ND-DJ	74,966	
Edward Byrne Memorial Justice Assistance Grant Program				
Office of Attorney General	16.738	13-205 & 14-204	<u>21,095</u>	21,095
Edward Byrne Memorial Justice Assistance Grant Program				
JAG Program Cluster			<u>96,061</u>	
Total Department of Justice				243,448 21,095
<b>Department of Transportation</b>				
<i>Direct Federal Funding:</i>				
Airport Improvement Program	20.106	N/A	3,359,982	
Federal Transit Capital Investment Grants	20.500	N/A	10,172	
Federal Transit Formula Grants	20.507	N/A	<u>2,318,496</u>	
Federal Transit Cluster				
Payments for Small Community Air Service Development	20.930	N/A	2,328,668	
			12,044	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Parks and Recreation	20.526	38140640	<u>1,122,731</u>	1,122,731
Bus and Bus Facilities Formula Program				
Highway Planning and Construction Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38141270A & 38131466A	129,412	
Job Access and Reverse Commute Program	20.516	38131466A	132,304	0
New Freedom Program	20.521	#REF!	<u>38,364</u>	
Transit Services Programs Cluster				300,080
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PHSPID1510-02-02 & PHSPID 1510-02-51	<u>17,650</u>	
Highway Safety Cluster				17,650
National Priority Safety Programs	20.616	PHSPDD1511-02-01, PHSPID1510-02-02 PHSPID16-10-12-04, PHSPID15-10-03-02 PHSPOP1505-05-02,PHSPOP1605-0506 & PHSPID1610-02-08	<u>29,975</u>	
Total Department of Transportation				7,171,130



City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

	CFDA Numbers	Agency or Pass Through Number	Expenditures	Amounts Passed- Through to Subrecipients
<b>National Endowment for the Arts</b>				
<i>Direct Federal Funding:</i>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	<u>10,117</u>	
Total National Endowment for the Arts				10,117
<b>Environmental Protection Agency</b>				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health				
Capitalization Grants for Clean Water State Revolving Funds	66.458	380715-02	3,049,526	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-03	10,324,751	
Performance Partnership Grants	66.605	13.020, 13.927, & G15.255	<u>2,136</u>	
Total Environmental Protection Agency				13,376,413
<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	13.057, 13.076, 13.201, 13.819, 13.842, & 13.863	367,056	
Food and Drug Administration Research	93.103	PF13.250	1,990	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF13-270	38,218	
Family Planning Services	93.217	G13.882A & G15.044	176,952	
Immunization Cooperative Agreements	93.268	13.1188	68,060	
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	13.1114	842	
Cancer Prevention and Control Programs	93.752	PF15.025	22,517	
Preventive Health and Health Services Block Grant funded solely with PPHF	93.758	G13.1039, G15.384, & PF13.343A	33,910	
HIV Care Formula Grants	93.917	PF13.156A & PF13.324	97,875	
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	PF13.193B	52,089	
HIV Prevention Activities Health Department Based	93.940	PF13.282A	20,000	
Preventive Health Services STD Control Grants	93.977	G15.044	2,871	
Maternal and Child Health Services Block Grant to the States	93.994	G13.895A	35,195	
Lutheran Social Services				
Refugee and Entrant Assistance - State Administered Programs	93.566	2014-37A	47,423	
Refugee and Entrant Assistance Discretionary Grants	93.576	2015-HP1 & 2016-HP1	<u>18,334</u>	
Total Department of Health and Human Services				983,322
<b>Department of Homeland Security</b>				
<i>Indirect Federal Funding passed through-</i>				
State of North Dakota Department of Emergency Services				
Disaster Grants - Public Assistance	97.036	N/A	21,910	
Hazard Mitigation Grant	97.039	FEMA-1981-DR-30-R, FEMA-1981-DR-23-R, FEMA-1981-DR-44-R, FEMA-1986-DR-5-R, FEMA-1986-DR-6-R, & FEMA-1981-DR-9-R	2,568,203	
Homeland Security Grant Program	97.067	53, 63, 71, 72, 66, & 48	<u>154,980</u>	
Total Office of Homeland Security				<u>2,745,093</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 26,767,806</u>	<u>\$ 662,522</u>

**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.

**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.

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

**Note C – Loan Programs**

As of December 31, 2015, 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 \$68,143,235.

**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
Capitalization Grants for Clean Water State Revolving Funds	66.458

Dollar threshold used to distinguish between type A and type B programs:	\$ 803,034
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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No findings reported

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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