



Federal Awards Reports in Accordance with the Uniform  
Guidance

December 31, 2019

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***

To 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, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 24, 2020.

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

Mankato, Minnesota  
September 24, 2020



**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**

To 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, 2019. 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 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 on each of its major Federal programs for the year ended December 31, 2019.

### **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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 24, 2020, 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*

Mankato, Minnesota  
September 24, 2020

City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2019

	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	G17.998A & G19.344	\$ 525,492	
Total Department of Agriculture				\$ 525,492
<b>Department of Housing and Urban Development</b>				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>1,078,516</u>	
Total CDBG - Entitlement Grants Cluster			1,078,516	376,354
Home Investment Partnerships Program	14.239	N/A	64,600	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services				
Community Development Block Grants/State's Program	14.228	2457-NSP09	1,334	
Emergency Solutions Grant Program	14.231	4533-ESG19	<u>8,000</u>	
Total Department of Housing and Urban Development				1,152,450 376,354
<b>Department of Justice</b>				
<i>Direct Federal Funding:</i>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	42,552	
<i>Indirect Federal Funding passed through-</i>				
Cass County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-H2423-ND-DJ & 2018-H3108-ND-DJ	46,460	
State of North Dakota Office of Attorney General				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18217	<u>7,150</u>	7,150
CFDA subtotal			53,610	
North Dakota Association of Counties				
Juvenile Justice and Delinquency Prevention	16.540	2016-JF-FX-0002	<u>17,130</u>	
Total Department of Justice				113,292 7,150



City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2019

	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	985,433	
Federal Transit Formula Grants	20.507	N/A	2,744,415	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Transportation				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	38171124A, 38190960, 38180972, & 38181779	<u>725,480</u>	3,469,895
Total Federal Transit Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38180982, 38190974, & 38180987	<u>52,487</u>	52,487
Total Transit Services Programs Cluster				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	RTAP		694
State and Community Highway Safety	20.600	PHSPDD1911-02-04	8,000	
National Priority Safety Programs	20.616	PHSPOP1905-05-06, PHSPID1910-02-05, PHSPID1910-03-02, PHSPID1910-12-03, PHSPOP2005-05-06, PHSPID2010-02-06, PHSPID2010-03-02, & PHSPID2010-12-03,	<u>50,286</u>	
Total Highway Safety Cluster				<u>58,286</u>
Total Department of Transportation				4,566,795
<b>Environmental Protection Agency</b>				
<i>Direct Federal Funding:</i>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	39,443	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health				
Capitalization Grants for Clean Water State Revolving Funds	66.458	380715-04, 380715-05, 380715-06, & 380715-07	<u>31,622,361</u>	31,622,361
Total Clean Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-03 & 0900336-04	<u>4,101,664</u>	4,101,664
Total Drinking Water State Revolving Fund Cluster				
Performance Partnership Grants	66.605	G17.005 & G19.003	<u>1,970</u>	
Total Environmental Protection Agency				35,765,438

City of Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2019

	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	G17.623A, G17.636A, G17.678, G19.127, G19.157, & G19.254	296,489	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	0	1,562	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF17.257	24,193	
Family Planning Services	93.217	G17.954 & G17.1167A	174,613	
Immunization Cooperative Agreements	93.268	G19.023	70,313	
Public Health Emergency Response	93.354	G17.1224A & G19.381	41,400	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	PF17.156, PF19.029, & G19.366	99,150	
HIV Care Formula Grants	93.917	G17.611 & G17.1194	138,892	
HIV Prevention Activities Health Department Based	93.940	PF17.236 & F17.1137	106,066	
Preventive Health and Health Services Block Grant	93.991	G17.1068, G17.988, G19.510, & G19.520	33,379	
Maternal and Child Health Services Block Grant to the States	93.994	G17.973 & G19.334	94,601	
Lutheran Social Services				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2019-CMA 4	660	
Refugee and Entrant Assistance Discretionary Grants	93.576	2019-HP 3 & 2020-HP 3	13,718	
Association of Food and Drug Officials				
Food and Drug Administration Research	93.103	G-T-1810-06883 & G-T-1909-07409	3,775	
Total Department of Health and Human Services			<u>1,098,811</u>	
<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	DR4444	660,258	
Hazard Mitigation Grant	97.039	FEMA-1981-DR-9-R	692,907	
Homeland Security Grant Program	97.067	14, 14, 141, 156, & 161	296,600	
Cass County				
Emergency Management Performance Grants	97.042	41 & 24	64,156	
Total Department of Homeland Security			<u>1,713,921</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 44,936,199</u>	<u>\$ 383,504</u>

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2019. 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 reported in the schedule of expenditures of federal awards are reported on the modified accrual basis. Expenditures are recognized 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, 2019, 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 \$180,265,519.

**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>
Federal Transit Cluster	
Urbanized Area Formula Program	20.507
Bus and Bus Facilities Formula and Discretionary Programs	20.526
Capitalization Grants for Clean Water State Revolving Funds	66.458
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,348,086
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

No findings reported

No findings reported in the prior year

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

No findings reported

No findings reported in the prior year