



Federal Awards Reports in Accordance with
the Uniform Guidance
December 31, 2024

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fargo, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Fargo's basic financial statements and have issued our report thereon dated June 24, 2025. Our report includes a reference to other auditors who audited the financial statements of the Municipal Airport Authority of the City of Fargo, the discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fargo's internal control over financial reporting (internal control) as a basis for designing 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 of Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fargo'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fargo'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 financial statements. 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*.

City of Fargo's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Fargo's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Fargo's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City'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".

Fargo, North Dakota
June 24, 2025



**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

Opinion on Each Major Federal Program

We have audited the City of Fargo's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Fargo's major federal programs for the year ended December 31, 2024. The City of Fargo's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Fargo 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Fargo and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Fargo's compliance with the compliance requirements referred to above.

Other Matter - Federal Expenditures Not Included in the Compliance Audit

The City of Fargo's basic financial statements include the operations of the Municipal Airport Authority of the City of Fargo which expended \$16,856,855 in federal awards which is not included in the City of Fargo's schedule of expenditures of federal awards during the year ended December 31, 2024. Our compliance audit, described in the "Opinion on Each Major Federal Program" does not include the operations of the Municipal Airport Authority of the City of Fargo because they engaged other auditors to perform an audit of compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Fargo's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Fargo's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Fargo's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Fargo's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Fargo's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Fargo's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fargo as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Fargo's basic financial statements. We issued our report thereon dated June 24, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

A handwritten signature in black ink that reads "Eric Sallie LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 24, 2025

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Agriculture				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health and Human Services				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	G23.453A & G23.1127	\$ 700,554	
Total Department of Agriculture				\$ 700,554
Department of Housing and Urban Development				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 188,412	\$ 76,381
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	52,875	52,875
Total CDBG - Entitlement Grants Cluster			241,287	
Home Investment Partnerships Program	14.239	N/A	200,786	54,740
Total Department of Housing and Urban Development				442,073
Department of Justice				
<i>Direct Federal Funding:</i>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	338,797	
<i>Indirect Federal Funding passed through-</i>				
Cass County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-35004 & 222-171368	57,117	
State of North Dakota Office of Attorney General				
Project Safe Neighborhoods	16.609	PSN2201	61,925	
Missing Children's Assistance	16.543	N/A	11,607	
Total Department of Justice				469,446

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Transportation				
<i>Direct Federal Funding:</i>				
Federal Transit Formula Grants	20.507	N/A	3,733,905	
<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	ND-2023-017-00, 38190306, 38190959A, 38220653 & 38231162	<u>4,440,942</u>	
Total Federal Transit Cluster				8,174,847
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38190973D, 38221074 & 38231181	<u>32,819</u>	
Total Transit Services Programs Cluster				32,819
Formula Grants for Rural Areas and Tribal Transit Program				
Planning and Research	20.509	734784		3,170
State and Community Highway Safety	20.600	PHSPOP2405-05-00, PHSPOP2499-07- 00, PHSPDD2411-02-00 & PHSPSC2407- 014-00	32,253	
National Priority Safety Programs	20.616	PHSPID2510-02-00 & PHSPID2510-09- 02	<u>2,090</u>	
Total Highway Safety Cluster				34,343
Minimum Penalties for Repeat Offenders for Driving				
While Intoxicated	20.608	PHSPID2410-02-00, PHSPID2510-12-00 & PHSPID2410-12-00	<u>9,729</u>	
Total Department of Transportation				8,254,908

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of the Treasury				
<i>Direct Federal Funding:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>2,145,292</u>	
Total Department of the Treasury				2,145,292
Environmental Protection Agency				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health and Human Services				
Capitalization Grants for Clean Water State Revolving Funds	66.458	380715-07, 380715-05	11,351,374	
Performance Partnership Grants	66.605	G23.002	1,338	
North Dakota Department of Environmental Quality				
Drinking Water State Revolving Fund	66.468	0900336-23-05	<u>1,454,941</u>	
Total Environmental Protection Agency				12,807,653

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Health and Human Services				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health and Human Services				
Public Health Emergency Preparedness	93.069	G21.873A, G23.015, G23.056A, G23.908, G23.003, G23.741, G23.1095, G23.640	429,643	
Maternal and Child Health Federal Consolidated Programs	93.110		3,250	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	G23.627	27,779	
Family Planning Services	93.217	G23.696 & G21.1300	270,647	
Immunization Cooperative Agreements	93.268	G23.885, G23.945 & G23.855	162,153	
COVID-19 - Immunization Cooperative Agreements	93.268	G19.1294	<u>124,133</u>	49,458
FFAL subtotal			286,286	
Public Health Emergency Response	93.354	G23.236 & G23.370	142,977	
COVID-19 - Activities to Support STLT Health Department				
Department Response to Public Health or Healthcare Crises	93.391	G19.1294A & G21.1097	60,343	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	G23.193, G21.1310 & G23.772	79,676	
HIV Care Formula Grants	93.917	G21.1273 & G23.713	465,081	
HIV Prevention Activities Health Department Based	93.940	G23.596 & G23.1018	44,030	
Preventive Health and Health Services Block Grant	93.991	G23.359, G23.574 & G23.1109	28,300	
Public Health Infrastructure	93.967	G23.305	197,837	
Maternal and Child Health Services Block Grant to the States	93.994	G23.1040 & G23.425	13,139	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	355-13476 & 355-12463	25,998	
Center for Disease Control				
COVID-19 Detection and Mitigation of COVID-19 in Homelessness	93.323	G21.965	<u>10,832</u>	
Total Department of Health and Human Services				<u>2,085,818</u> <u>49,458</u>

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Homeland Security				
<i>Indirect Federal Funding passed through-</i>				
State of North Dakota Department of Emergency Services				
Disaster Grants - Public Assistance	97.036	DR4444 & DR4760	277,004	
Hazard Mitigation Grant Program	97.039	DR4660	7,009	
		PDMC-PL-08-ND-2018-023 & EMD-2020-		
BRIC: Building Resilient Infrastructure and Communities	97.047	BR-120-0014	2,814,890	
Homeland Security Grant Program	97.067	5, 2, 70	175,050	
State and Local Cybersecurity Grant Program	97.137	57 & S49	246,434	
Emergency Management Performance Grants	97.042	45 & 12	51,147	
Emergency Management Performance Grants	97.044	EMW-2023-FB-00878	51,815	
Total Department of Homeland Security			<u>3,623,349</u>	
Total Federal Financial Assistance			<u>\$ 30,529,093</u>	<u>\$ 233,454</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Fargo (the City) under programs of the federal government for the year ended December 31, 2024. The information is presented in accordance with the 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). 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 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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

Note 4 - Loan Programs

As of December 31, 2024, the City's liability relating to the Storm Sewer and Waste Water Expansion - State Revolving Fund (SRF) Loans (ALN #66.458) is \$185,360,785. The City's liability related to the Drinking Water Expansion - State Revolving Fund (SRF) Loans (ALN #66.468) is \$94,258,280.

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	Yes
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>Federal Financial Assistance Listing</u>
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Capitalization Grants for Clean Water State Revolving Funds	66.458
BRIC: Building Resilient Infrastructure and Communities	97.047
Dollar threshold used to distinguish between type A and type B programs:	\$915,873
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

**2024-001 Lack of Formal Review
Significant Deficiency**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Adherence to those policies and appropriate segregation of duties are key components of internal control. A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. To ensure that no one person has more than one duty relating to the authorization, custody of assets, record keeping and reconciliation functions, there should be a review process that includes documentation of formal oversight and review.

Condition: It was noted there was no formal review and approval over the recording of the special assessments receivable and the liability for compensated absences.

Cause: System controls in place should be followed, including the documentation of formal oversight and review, to ensure they are accurate and in accordance with established policies and generally accepted accounting principles in the United States of America (U.S. GAAP).

Effect: Inadequate segregation of duties could adversely affect the City's ability to detect misstatements to the financial statements.

Recommendation: The system controls that are in place should be reviewed to determine if additional steps should be taken to improve the documentation to support the formal oversight and review.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section III - Federal Award Findings and Questioned Costs

None reported.