



Schedule of Expenditures of Federal Awards
December 31, 2009

City of Fargo

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
Fargo, North Dakota

We have audited the financial statements of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2009, and have issued our report thereon dated June 17, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of audit findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider deficiency 09-1 described in the accompanying schedule of audit findings and questioned costs to be a significant deficiency. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Commission, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
June 17, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Fargo, North Dakota (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 types of 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 the internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

Schedule of Expenditures of Federal Awards

We have audited 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 as of and for the year ended December 31, 2009, and have issued our report thereon dated June 17, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
June 17, 2010

CITY OF FARGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Numbers	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	\$	<u>364,167</u>
Total Department of Agriculture		\$	364,167
Department of Commerce			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Emergency Services Public Safety Interoperable Communications Grant Program	11.555		<u>115,146</u>
Total Department of Commerce			115,146
Department of Housing and Urban Development			
<i>Direct Federal Funding:</i>			
Community Development Block Grants	14.218	\$	616,996
ARRA - Community Development Block Grant CDBG Cluster	14.253		<u>60,127</u>
			677,123
HOME Investment Partnership Program	14.239		896,103
<i>Indirect Federal Funding passed through-</i>			
North Dakota Division of Community Services Community Development Block Grant/State's Program	14.228		1,370,611
Emergency Shelter Grants Program	14.231		<u>14,890</u>
Total Department of Housing and Urban Development			2,958,727
Department of the Interior			
<i>Indirect Federal Funding passed through-</i>			
North Dakota State Historical Society Historic Preservation Fund Grants-in-Aid	15.904		<u>8,902</u>
Total Department of the Interior			8,902

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 2

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Numbers	Expenditures	
Department of Justice			
<i>Direct Federal Funding:</i>			
Bulletproof Vest Partnership Program	16.607		6,371
Public Safety Partnership and Community Policing	16.710	1,697,142	
ARRA - Public Safety Partnership and Community Policing Grants	16.710	<u>9,633</u>	
CFDA Subtotal			1,706,775
ARRA - Edward Byrne Memorial Justice Assistance	16.804		42,990
<i>Indirect Federal Funding passed through-</i>			
State of North Dakota Highway Patrol			
Enforcing Underage Drinking Laws Program	16.727		13,045
Cass County			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	38,474	
Office of Attorney General			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>2,980</u>	
CFDA subtotal			41,454
ARRA - Edward Byrne Memorial Justice Assistance	16.803		<u>6,566</u>
Total Department of Justice			1,817,201
Department of Transportation			
<i>Direct Federal Funding:</i>			
Airport Improvement Program	20.106		225,337
Federal Transit Capital Investment Grants	20.500	1,755,630	
ARRA - Federal Transit Capital Formula Grant	20.507	422,596	
Federal Transit Formula Grants	20.507	<u>2,089,853</u>	
Federal Transit Cluster			4,268,079
Job Access Reverse Commute	20.516	42,520	
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Transportation			
Job Access Reverse Commute	20.516	48,848	
New Freedom Program	20.521	<u>41,986</u>	
Transit Services Programs Cluster			133,354

(continued on next page)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 3

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Numbers	Expenditures	
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Transportation			
Highway Planning and Construction	20.205	531,031	
Metropolitan Council of Governments			
Highway Planning and Construction	20.205	<u>71,356</u>	
CFDA subtotal			602,387
North Dakota Department of Transportation			
State and Community Highway Safety	20.600	6,000	
North Dakota State Highway Department			
State and Community Highway Safety	20.600	78,717	
Alcohol Impaired Driving Countermeasures			
Incentive Grants	20.601	<u>16,939</u>	
Highway Safety Cluster			101,656
North Dakota State Highway Department			
Interagency Hazardous Materials Public			
Sector Training and Planning Grants	20.703	<u>3,083</u>	
Total Department of Transportation			5,333,896
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	33,760,460	
Capitalization Grants for			
Drinking Water State Revolving Funds (1)	66.468	3,192,198	
Performance Partnership Grants	66.605	<u>3,782</u>	
Total Environmental Protection Agency			36,956,440
U.S. Department of Energy			
<i>Direct Federal Funding:</i>			
ARRA - Energy Efficiency and Conservation Block			
Grant Program	81.128	<u>151,140</u>	
Total Department of Energy			151,140
Department of Health and Human Services			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Health			
Public Health Emergency Preparedness	93.069	318,786	
Tuberculosis Control Programs	93.116	14,800	
Family Planning Services	93.217	155,230	
Immunization Grants	93.268	148,960	
Tobacco CDC	93.283	321,354	

(continued on next page)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – Page 4

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Numbers	Expenditures
<u>Department of Health and Human Services (continued)</u>		
North Dakota Department of Health (continued)		
HIV Care Formula Grants	93.917	24,128
Cancer Early Detection Programs	93.919	103,353
HIV Prevention Activities	93.940	22,115
Preventive Health and Health Services	93.991	1,600
Maternal and Child Health Services	93.994	105,872
North Dakota Department of Human Services		
Refugee and Entrant Assistance		
State Administered Program	93.566	6,000
Refugee and Entrant		
Assistance Discretionary Grants	93.576	59,863
Total Department of Health and Human Services		1,282,061
<u>Department of Homeland Security</u>		
<i>Direct Federal Funding:</i>		
Assistance to Firefighters Grant	97.044	497,315
<i>Indirect Federal Funding passed through-</i>		
State of North Dakota DES		
Disaster Grants - Public Assistance	97.036	8,185,690
State of North Dakota DEM		
Hazard Mitigation Grant	97.039	3,247,514
Homeland Security Grant Program	97.067	309,133
Total Department of Homeland Security		12,239,652
Total Expenditures of Federal Awards		<u>\$ 61,227,332</u>

CITY OF FARGO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

As of December 31, 2009, the City's liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans is \$51,323,479.

NOTE 2 – AGENCY OR PASS-THROUGH NUMBER

The only programs without agency or pass-through numbers are programs where the federal funds are direct therefore agency and pass-through numbers are not required.

CITY OF FARGO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009

There were no findings in the prior year in relation to the major federal award programs audit.

CITY OF FARGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion of the basic financial statements of the City of Fargo.
2. One significant deficiency was disclosed during the audit of the financial statements that is reported in the Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. We do not consider this significant deficiency to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Fargo were disclosed during the audit.
4. No significant deficiencies were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Fargo expresses an unqualified report.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C. of the schedule.
7. The programs tested as a major programs were: CDBG Cluster - Community Development Block Grant, CFDA #14.218, ARRA-Community Development Block Grant, CFDA #14.253, Federal Transit Administration Cluster - Federal Transit Administration, CFDA #20.507, ARRA-Federal Transit Administration, CFDA #20.507, Federal Transit Capital Investment Grants, CFDA #20.500, Clean Water State Revolving Funds, CFDA #66.458.
8. The threshold for distinguishing a Type A program was \$1,836,820.
9. The City of Fargo was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

09-1 Lack of Segregation of Duties in Certain Duties Due to a Limited Staff – Civic Center

Condition: During the course of our engagement, we noted a department of the City had a lack of segregation of duties regarding the close out of the cash register, counts of inventory, preparation of deposit tickets, and bring the deposit to the bank.

Criteria or Specific Requirement: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements. The system should have enough controls so that no one person handles a transaction from beginning to the end. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Cause: There are a limited number of employees involved in the internal control process.

Effect: The control deficiency could result in a misstatement to the financial statements that would not be detected or prevented in the normal course of business. The control deficiency also could result in unauthorized transactions or loss of assets.

Recommendation: The internal control function should be reviewed to determine additional segregation of duties to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. As an additional service, Eide Bailly has a Forensic Department that can assist in a review of the City's internal controls to find ways to mitigate the lack of segregation of duties to a higher degree.

Response: The City agrees with the finding and will implement the appropriate internal controls.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - NONE