



Schedule of Expenditures of Federal Awards
December 31, 2011

City of Fargo, North Dakota

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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	8
Summary Schedule of Prior Audit Findings	9
Schedule of Findings and Questioned Costs	10



**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 the financial statements of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012. 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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 11-1 that we consider to be a significant deficiency in internal control over financial reporting. 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 that are required to be reported under Government Auditing Standards.

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

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.

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

Fargo, North Dakota
June 18, 2012



**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor and
Members of City Commission
City of Fargo, North Dakota
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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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, 2011, and have issued our report thereon dated June 18, 2012. Our audit was performed for the purpose of forming our opinions 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, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 the auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the 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.

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

Fargo, North Dakota
June 18, 2012

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-through Grantor/Program Title	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	G09-933A & G11.350	\$ 413,488
National Fish and Wildlife Foundation Soil and Water Conservation	10.902	2007-0108-000	<u>125,000</u>
Total Department of Agriculture			\$ 538,488
Department of Commerce			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Emergency Services - Division of Homeland Security Public Safety Interoperable Communications Grant Program	11.555	100.000	<u>107,353</u>
Total Department of Commerce			107,353
Department of Housing and Urban Development			
<i>Direct Federal Funding:</i>			
Community Development Block Grants/Entitlement Grants	14.218	N/A	725,784
HOME Investment Partnership Program	14.239	N/A	439,829
<i>Indirect Federal Funding passed through-</i>			
North Dakota Division of Community Services Community Development Block Grants/State's Program	14.228	2457-NSP09	512,926
Emergency Shelter Grants Program	14.231	2989-ESGP10 & 3196-ESGP11	16,773
North Dakota Department of Commerce Homeless Prevention and Rapid Re-Housing Program	14.257	2533-HPRP09	<u>216,746</u>
Total Department of Housing and Urban Development			1,912,058
Department of the Interior			
<i>Indirect Federal Funding passed through-</i>			
ND Game & Fish Department Sport Fish Restoration Program	15.605	F11AF01078-0001- 007B	100,000
National Fish and Wildlife Foundation Fish and Wildlife Management Assistance	15.608	F07AC00051 & 2007-0108-000	415,000
North Dakota State Historical Society Historic Preservation Fund Grants In-Aid	15.904	38-09-21840-27, 38-10-21941-26 & 38-11-31941-27	<u>20,106</u>
Total Department of the Interior			535,106
Department of Justice			
<i>Direct Federal Funding:</i>			
Bulletproof Vest Partnership Program	16.607	N/A	21,765
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 585,289
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>415,540</u>
CFDA subtotal			1,000,829
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	106,108
<i>Indirect Federal Funding passed through-</i>			
State of North Dakota Highway Patrol Enforcing Underage Drinking Laws Program	16.727	800-08131 & 810-08379	8,157

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Numbers	Agency or Pass Through Number	Expenditures
Cass County			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-F4409-ND-DJ 2010-H6626-ND-DJ	44,367
Office of Attorney General			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-216 & 10-216	25,440
CFDA subtotal			69,807
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	ST09224	16,127
Total Department of Justice			1,222,793
U.S. Department of Transportation			
<i>Direct Federal Funding:</i>			
Airport Improvement Program	20.106	N/A	394,898
Federal Transit Capital Investment Grants	20.500	N/A	1,250,193
ARRA - Federal Transit Formula Grants	20.507	N/A	11
Federal Transit Formula Grants	20.507	N/A	1,860,920
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Transportation			
Federal Transit Capital Investment Grants	20.500	38-116-0610	196,514
Federal Transit Cluster			3,307,638
Job Access Reverse Commute	20.516	38-175-1010 & 38-106-0310	153,743
New Freedom Program	20.521	38-107-0310 & 38,110,020.000	52,868
Transit Services Programs Cluster			206,611
Highway Planning and Construction	20.205	IM-SU-8-094(052) 347, CER-8-984 & CER-8-984	4,584,632
Metropolitan Council of Governments			
Highway Planning and Construction	20.205	11-1105 & 009-01	169,314
CFDA subtotal			4,753,946
North Dakota Department of Transportation			
State and Community Highway Safety	20.600	PSHP4021205- 04-09, PHSP4021105-04- 20 & PHSP402- 1109-02-04	42,235
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PHSP4101203-01- 10 & PHSP4101103- 40,931.000	16,414
Highway Safety Cluster			58,649
Total Department of Transportation			8,721,742
National Endowment for the Arts			
<i>Direct Federal Funding:</i>			
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	21,702
Total National Endowment for the Arts			21,702
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	1,461,780
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	380684-07	282,163
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-02	5,343,493
Performance Partnership Grants	66.605	09-040, 11.038, 09-135, 11.215 & 09-973	4,873
Total Environmental Protection Agency			7,092,309

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Numbers	Agency or Pass Through Number	Expenditures
U.S Department of Energy			
<i>Direct Federal Funding:</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	165,169
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Commerce Supplemental Energy Efficiency Block Grant - State Energy Program ARRA Fund:	81.041	3072-SEP10R-B	<u>100,000</u>
Total Department of Energy			265,169
Department of Health and Human Services			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Health Public Health Emergency Preparedness	93.069	09-224A, 11.238, 09-269A, 11.221, 09-1133, 09-237A & 11.251	499,566
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF09-296	17,000
Family Planning Services	93.217	G09-792B & G11.046	191,459
Immunization Grants	93.268	09-1088A & 09-1110	159,652
CDC and Prevention Investigations and Technical Assistance	93.283	G09-679 & 09-1210	7,805
ARRA - LPHU Immunization Coalition	93.712	09-693	11,062
HIV Care Formula Grants	93.917	PF09-148 & PF09-342	71,350
Cancer Early Detection Programs	93.919	PF09-203A & PF11.030	107,284
Epidemiologic Research Studies of AIDS and HIV Infection in Selected Population	93.943	PF09-273	19,548
Preventive Health and Health Services Block Grant	93.991	G09-1056A	3,500
Maternal and Child Health Services Block Grant	93.994	09-751A & G11-008	143,531
Lutheran Social Services Refugee and Entrant Assistance Discretionary Grants	93.576	90RX0195 & 90RX0197	<u>75,374</u>
Total Department of Health and Human Services			1,307,131
Office of Homeland Security			
<i>Direct Federal Funding:</i>			
Staffing for Adequate Fire and Emergency Response	97.044	N/A	274,846
<i>Indirect Federal Funding passed through-</i>			
State of North Dakota Department of Emergency Services Disaster Grants - Public Assistance	97.036	N/A	4,989,004
State of North Dakota DEM Hazard Mitigation Grant - South Diversion Channel	97.039	N/A	34,239
Homeland Security Grant Program	97.067	37, 38, 74, 154, 265 & 266	<u>111,800</u>
Total Office of Homeland Security			5,409,889
Total Expenditures of Federal Awards			<u><u>\$27,133,740</u></u>

Note 1 - General

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

As of December 31, 2011, the City's liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans is \$79,051,382.

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, or else there are certain pass-through entities that did not provide identifying numbers.

Note 3 - Subrecipients

<u>Subrecipients provided federal awards</u>	<u>CFDA #</u>	<u>Dollar Amount</u>
Clay County Health Department	93.069	\$ 25,600
Richland County Health Department	93.069	3,100
Cass County Emergency Management	93.069	4,000
Richland County Health Department	93.069	1,000
Total for CFDA #93.069		<u>33,700</u>
 Rape & Abuse Crisis Center	 16.738	 <u>25,440</u>
 Rape & Abuse Crisis Center	 16.803	 <u>16,127</u>
 Total passed to subreipients		 <u><u>\$ 75,267</u></u>

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

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
16.710	Public Safety Partnership and Community Policing Grants
16.738, 16.803, 16.804	Edward Byrne Memorial Justice Assistance Grant Program, ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
81.128	Energy Efficiency and Conservation Block Grant Program Formula Grant, Federal Transit Formula Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 814,012

Auditee qualified as low-risk auditee? X yes no

B. Findings - Financial Statement Audit

Significant Deficiency

11-1 Lack of Segregation of Duties in Certain Areas 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 bringing 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.

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.

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

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.

Management's Response – The City agrees with the finding and will implement the appropriate internal controls.

C. Findings - Major Federal Award Programs Audit – None