



Schedule of Expenditures of Federal Awards
December 31, 2012

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, 2012, 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 21, 2013.

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 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. A *significant deficiency* is a deficiency, or 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 yet 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 "Erik Sallly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 21, 2013



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 OMB Circular A-133

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 Circular A-133 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, 2012. 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 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 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, 2012.

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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended December 31, 2012, and have issued our report thereon dated June 21, 2013, which contained an unmodified opinion 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Fargo, North Dakota
June 21, 2013

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

	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	G11.350B & G11.813	\$ 438,490	
Total Department of Agriculture				\$ 438,490
Department of Housing and Urban Development				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,030,889	
HOME Investment Partnership Program	14.239	N/A	257,388	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services				
Community Development Block Grants/State's Program	14.228	2457-NSP09	106,951	
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	2533-HPRP09	32,801	
Emergency Solutions Grant Program	14.231	3196-ESGP11 &	23,716	
Total Department of Housing and Urban Development				1,451,745
Department of the Interior				
<i>Indirect Federal Funding passed through-</i>				
US Fish and Wildlife Service				
Fish and Wildlife Management Assistance	15.608	F12AP00610	57,500	
North Dakota State Historical Society				
Historic Preservation Fund Grants In-Aid	15.904	38-11-31941-27	4,953	
Total Department of the Interior				62,453
Department of Justice				
<i>Direct Federal Funding:</i>				
Bulletproof Vest Partnership Program	16.607	N/A	8,425	
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 156,150	
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	416,914	
CFDA subtotal				573,064
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	149,457	
<i>Indirect Federal Funding passed through-</i>				
Cass County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-H6626-ND-DJ	7,231	
Non-Cash Assistance - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-H0057-ND-DD & 2010-H6626-ND-DJ	138,925	
West Fargo				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2199	5,860	
Non-Cash Assistance - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2199	72,446	
Office of Attorney General				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-214	13,000	
JAG Program Cluster				386,919
State of North Dakota Highway Patrol				
Enforcing Underage Drinking Laws Program	16.727	810-08379 & 2012-1	7,349	
Total Department of Justice				975,757

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

	CFDA Numbers	Agency or Pass Through Number	Expenditures	
U.S. Department of Transportation				
<i>Direct Federal Funding:</i>				
Airport Improvement Program	20.106	N/A	8,834,991	
Federal Transit Capital Investment Grants	20.500	N/A	105,499	
Federal Transit Formula Grants	20.507	N/A	<u>1,880,979</u>	
Federal Transit Cluster				1,986,478
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Transportation				
Job Access Reverse Commute	20.516	38110019 & 38121418	101,260	
New Freedom Program	20.521	3811020 & 38121419	<u>52,566</u>	
Transit Services Programs Cluster				153,826
Highway Planning and Construction - Flood Repairs - Permanent Restoration	20.205	CER-8-984	2,614	
Highway Planning and Construction - Flood Repairs - AC-CER-8-984(143)146	20.205	38120439	64,427	
Highway Planning and Construction - Flood Repairs - AC-CER-8-984(144)147	20.205	38120440	71,579	
Highway Planning and Construction - Flood Repairs - AC-CER-8-984(145)148	20.205	38120441	64,583	
Non-Cash Assistance - Highway Planning and Construction - 7th Ave N over I-29	20.205	38112322	1,388,617	
Non-Cash Assistance - Highway Planning and Construction - US 81 10th St	20.205	38112332	<u>2,919,997</u>	
CFDA subtotal				4,511,817
State and Community Highway Safety	20.600	PHSP4021205-04-09 &	8,221	
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	PHSP4101203-01-10, PHSP4101202-01-03, & PHSP4101303-01-09	<u>20,970</u>	
Highway Safety Cluster				<u>29,191</u>
Total Department of Transportation				15,516,303
National Endowment for the Arts				
<i>Direct Federal Funding:</i>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	<u>45,898</u>	
Total National Endowment for the Arts				45,898
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	2,263,957	
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-02 & 0900336-03	871,034	
Performance Partnership Grants	66.605	11.038, 11.795, & 11.215	<u>3,433</u>	
Total Environmental Protection Agency				3,138,424
U.S Department of Energy				
<i>Direct Federal Funding:</i>				
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	<u>139,649</u>	
Total Department of Energy				139,649

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

	CFDA Numbers	Agency or Pass Through Number	Expenditures
Department of Health and Human Services			
<i>Indirect Federal Funding passed through-</i>			
North Dakota Department of Health			
Public Health Emergency Preparedness	93.069	11.238, 11.221A, 11.251A, &	340,253
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	PF11-129	17,000
Family Planning Services	93.217	G11.046A & G11.689	190,657
Immunization Cooperative Agreements	93.268	11.462A & 11.454	111,175
CDC and Prevention Investigations and Technical Assistance	93.283	11.539	4,000
PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity			
Building Assistance to Strengthen Public Health Immunization Infrastructure	93.539	PF11.255	15,571
and Performance financed in part by 2012 Prevention and Public Health Funds	93.889	11.657 & 11.710	76,599
National Bioterrorism Hospital Preparedness Program	93.917	PF09-342 & PF11.173A	71,200
HIV Care Formula Grants			
Cooperative Agreements for State-Based Comprehensive Breast and			
Cervical Cancer Early Detection Programs	93.919	PF11.030B & PF11.222A	89,091
Epidemiologic Research Studies of AIDS and HIV Infection in			
Selected Population Groups	93.943	PF11.104	20,498
Maternal and Child Health Services Block Grant	93.994	G11-008 & G11.609	122,986
Lutheran Social Services			
Refugee and Entrant Assistance Discretionary Grants	93.576	90RX0197 & 2013-32	25,672
Total Department of Health and Human Services			1,084,702
Office of Homeland Security			
<i>Direct Federal Funding:</i>			
Assistance to Firefighters Grant	97.044	N/A	21,070
Staffing for Adequate Fire and Emergency Response	97.083	N/A	183,213
<i>Indirect Federal Funding passed through-</i>			
State of North Dakota Department of Emergency Services			
Disaster Grants - Public Assistance	97.036	N/A	4,105
Pre-Disaster Mitigation Grant Program	97.047	A0059-001-2005-PDMC	(300)
State of North Dakota DEM			
Hazard Mitigation Grant - 15th Ave N Storm Sewer Lift Station	97.039	DR 1713-7R	274,350
Homeland Security Grant Program			
Non-Cash Assistance State Homeland Security Program	97.067	37, 38, 74, 78,	399,192
	97.067	2009-SST9-0010 &	32,693
Cass County			
Non-Cash Assistance Emergency Management Performance Grants	97.042	9	23,638
Total Office of Homeland Security			937,961
Total Expenditures of Federal Awards			<u>\$ 23,791,382</u>

Note 1 - General

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

As of December 31, 2012, the City's liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans is \$73,094,182.

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	\$ 18,093
Richland County Health Department	93.069	3,000
Total for CFDA #93.069		<u>21,093</u>
 Rape & Abuse Crisis Center	 16.738	 <u>13,000</u>
Rebuilding Together FM Area	14.218	20,000
Skills and Technology Training Center	14.218	11,864
Village Financial Service Center	14.218	30,311
Total for CFDA #14.218		<u>62,175</u>
 Village Financial Service Center	 14.239	 <u>2,300</u>
Total passed to subreipients		<u><u>\$ 98,568</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: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported	

Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> 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 Section 510(a) of OMB Circular A-133?	_____ yes	_____ <u>X</u> no	
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
16.710	ARRA - Public Safety Partnership and Community Policing Grants
81.128	ARRA - 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:	\$ 713,741
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Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no	
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B. Findings - Financial Statement Audit – None

C. Findings - Major Federal Award Programs Audit – None