



Federal Awards
December 31, 2012

City of Bismarck

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* 1

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 . 3

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 9

Summary Schedule of Prior Audit Findings 10

Schedule of Findings and Questioned Costs 11



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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 Board of
City Commissioners
City of Bismarck
Bismarck, 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 Bismarck, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Bismarck's basic financial statements, and have issued our report thereon dated June 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bismarck'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 of Bismarck's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bismarck'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 yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bismarck, North Dakota'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.

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.



Bismarck, North Dakota
June 4, 2013



CPAs & BUSINESS ADVISORS

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 Board of
City Commissioners
City of Bismarck
Bismarck, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Bismarck, North Dakota's 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 its major federal programs for the year ended December 31, 2012. The City of Bismarck, North Dakota'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 of Bismarck'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 of Bismarck'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 of Bismarck's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bismarck 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 of Bismarck, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bismarck, North Dakota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 of Bismarck'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 of Bismarck as of and for the year ended December 31, 2012, and have issued our report thereon dated June 4, 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.

Eide Bailly LLP

Bismarck, North Dakota
June 4, 2013

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2012

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
USDA Forest Service			
Cooperative Forestry Assistance		10.664	\$ 2,594
Total USDA Forest Service			<u>2,594</u>
Housing and Urban Development			
Direct Community Development Block Grants		14.218	299,850
ND Department of Commerce			
Neighborhood Stabilization Program	2485-NSP09	14.228	4,849
Home Investment Partnerships Program	2806-M1011-10	14.239	<u>79,079</u>
Total U.S. Department of Housing & Urban Development			<u>383,778</u>
Department of Justice			
Office of Violence Against Women			
Violence Against Women Formula Grants Grants		16.588	4,321
Direct Public Safety Partnership and Community Policing Grants		16.710	59,972
Direct Public Safety Partnership and Community Policing Grants - ARRA		16.710	<u>70,552</u>
Total 16.710			<u>130,524</u>
Direct Edward Byrne Memorial Justice Assistance Grant		16.738	57,910
Direct Edward Byrne Memorial Justice Assistance Grant - ARRA JAG Program Cluster		16.804	<u>4,657</u> <u>62,567</u>
Direct Grants to Encourage Arrest Policies		16.590	140,495
Direct Bullet Proof Vest/Armor		16.607	10,715
ND Highway Patrol			
Enforcing Underage Drinking Laws	2011-1	16.727	4,086
Total Department of Justice			<u>352,708</u>
Department of Transportation			
Direct Airport Improvement Projects		20.106	<u>4,102,751</u>
Direct Federal Transit - Capital Investment Grants		20.500	275,720
Direct Federal Transit - Formula Grants Federal Transit Cluster		20.507	<u>1,835,303</u> <u>2,111,023</u>
North Dakota Department of Transportation			
Highway Planning and Construction Cluster			
MPO - Highway Planning and Construction	38-178-1210	20.205	664,286
Highway Planning and Construction Cluster Total	SHE1094148161 & SU1981085095	20.205	<u>169,796</u> <u>834,082</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2012

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
State Highway Department			
Highway Safety Cluster			
State and Community Highway Safety		20.600	10,079
Alcohol Impaired Driving Countermeasures Incentive Grants		20.601	8,450
Cluster Total			<u>18,529</u>
Total Department of Transportation			<u>7,066,385</u>
Environmental Protection Agency			
Public Finance Authority			
Capitalization Grants for Drinking Water State Revolving Funds		66.468	5,832,812
Total Environmental Protection Agency			<u>5,832,812</u>
Department of Energy			
Direct Energy Efficiency and Conservation Block - ARRA		81.128	383,702
Total Department of Commerce			<u>383,702</u>
Department of Health & Human Services			
North Dakota Department of Health			
Prevention and Public Health Fund Capacity Building Assistance		93.539	6,217
Refugee and Entrance Assistance Discretionary		93.576	937
Public Health Emergency Preparedness	COBIOTERROR./DEPTOFHEALTH	93.069	125,093
Project Grants and Cooperative Agreements for Tuberculosis	180-165-3240	93.116	8,096
Immunization Grants	IMMUNIZATION.	93.268	39,096
HIV Care Formula Grants	RYANWHITE.	93.917	27,891
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	WOMENSWAY.	93.919	70,122
AIDS and HIV Infection in Selection Population Groups	180-165-3240	93.943	5,590
Maternal and Child Health Services Block Grant to States	180-165-3240	93.994	19,038
Preventive Health and Health Services Block Grant	HEALTHTRACKS.	93.991	168,164
Total Department of Health & Human Services			<u>470,244</u>
Department of Homeland Security			
North Dakota Department of Emergency Management			
Law Enforcement Officer Reimbursement Agreement	HSTS0208HSLR029	97.090	74,787
Disaster Grants - Public Assistance (FEMA)	FEMA2011	97.036	439,002
Emergency Management Performance Grant	135-056-3230/FIDES.	97.042	29,972
Buffer Zone Protection Program	DEPTEMSERVICE.	97.078	81,371
Homeland Security Cluster			
Homeland Security - Fire	A012-001-2009-HQRR & A0120-001-2012-SARQ	97.067	121,781
Homeland Security - Fire	A012-002-2009-HTRR & A0120-002-2010-SART	97.067	35,314
Homeland Security - Fire	A0120-005-2009-RP2	97.067	2,880
Homeland Security - Emergency Management	A0120-001-2012-HMEPT AA0077-001-2008-HQRR & A0077-001-2009-HQ & 005-2009-RP2, 001-2012-HQ	97.067	1,336
Homeland Security - Law Enforcement	A0120-001-2009-RP	97.067	44,351
Homeland Security - Public Health	A0923-002-2009-RP2	97.067	223
Homeland Security - Roads & Streets			47,352
Cluster Total			<u>253,237</u>
Total Department of Homeland Security			<u>878,369</u>
Total			<u>\$ 15,370,592</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2012

Subrecipients

Of the federal awards presented in the schedule, the City of Bismarck provided federal awards to subrecipients as follows:

<u>Federal Grantor/Program Title</u>	<u>CFDA#</u>	<u>Amount Provided to Subrecipients</u>
Department of Transportation		
Federal Transit - Capital Investment Grants	20.500	\$ 275,720
Federal Transit - Formula Grants	20.507	1,835,303

Note 1 - Significant Accounting Policies

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

Note 2 - Agency Or Pass-Through Number

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

None

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency	None reported
Noncompliance material to financial Statements noted	No

Federal Awards

Internal control over federal programs:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Energy Efficiency and Conservation Block Grant - ARRA	81.128
Capitalization Grants for Drinking Water	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$461,118
Auditee qualified as low-risk auditee	Yes

B. Findings - Financial Statement Audit

None

C. Findings - Major Federal Award Programs Audit

None