



Federal Awards  
December 31, 2014

# City of Bismarck

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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 City of Bismarck, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Bismarck's basic financial statements, and have issued our report thereon dated June 25, 2015.

**Internal Control over Financial Reporting**

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

**Compliance and Other Matters**

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota  
June 25, 2015



**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 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 City of Bismarck, North Dakota's major federal programs for the year ended December 31, 2014. 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 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 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, City of Bismarck, 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, 2014.

### **Report on Internal Control over Compliance**

Management of City of Bismarck, North Dakota, 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 City of Bismarck, North Dakota'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 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 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 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Bismarck as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Bismarck, North Dakota's basic financial statements. We issued our report thereon dated June 25, 2015, which contained unmodified opinions 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 expenditures 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 25, 2015

City of Bismarck  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014

Federal Granter/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>Department of Agriculture</u></b>			
Passed Through North Dakota Forest Service Cooperative Forestry Assistance	10.664	001-ATB-PD SPRING	\$ 2,077
<b><u>Department of Housing and Urban Development</u></b>			
Community Development Block Grants	14.218		315,224
Passed Through North Dakota Department of Commerce Home Investment Partnerships Program	14.239	2806/2471- M10111213-10/ 2471-M0910111213-10	523,858
Total Department of Housing & Urban Development			839,082
<b><u>Department of Justice</u></b>			
Bullet Proof Vest/Armor	16.607		10,236
ARRA - Public Safety Partnership & Community Policing	16.710	2009-RK-WX-0589 2010- CK-WX-0190	234,120
Passed Through Community Oriented Policing Services Public Safety Partnership & Community Policing	16.710	2013UMWX0149	28,145
Total Public Safety Partnership & Community Policing			262,265
Edward Byrne Memorial Justice Assistance Grant Program Passed Through Office of Attorney General	16.738	2013-DJ-BX-1050	3,768
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13213	9,717
Total Edward Byrne Memorial Justice Assistance Grant Program			13,485
Passed Through Office on Violence Against Women Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX-0003	136,951
Passed Through North Dakota Department of Health Violence Against Women Formula Grants	16.588	G12377/4551 HLH4122- 01	5,233
Passed Through Office of Juvenile Justice and Delinquency Prevention Juvenile Justice and Delinquency Prevention Allocation to States	16.540	T2-2011-105	8,306
Total Department of Justice			436,476

City of Bismarck  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014

Federal Granter/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>Department of Transportation</u></b>			
Airport Improvement Projects	20.106	3-38-0003-045/046- 2010/47-2011/49-2012/ 50-2013/51-2013	4,508,111
Passed Through Office of the Secretary (OST) Administration Secretariat Payments for Small Community Air Service Development	20.930	FAIN #2013-0120-0015	250,296
Federal Transit Cluster			
Federal Transit Capital Investment Grants	20.500	ND-04-0013-00/ ND-04-0018-00	301,162
Federal Transit Formula Grants	20.507	ND-90-X098-01/ND-90- X094-01/ND-040004-00	1,861,818
Total Federal Transit Cluster			2,162,980
Passed Through North Dakota Department of Transportation Metropolitan Transportation Planning	20.505	CPG0020011/12/13	736,504
Passed Through Federal Highway Administration Highway Planning and Construction	20.205	SHE1094148161/	124,144
Passed Through National Highway Traffic Safety Administration Highway Safety Cluster			
State and Community Highway Safety	20.600	NDDOT12131631	8,727
Alcohol Impaired Driving Countermeasures	20.601	NDDOT12131631 (A)(B)/12141636	3,496
Total Highway Safety Cluster			12,223
National Priority Safety Programs	20.616	NDDOT12131631 (A)(B)/12141636	7,204
Total Department of Transportation			7,801,462

City of Bismarck  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014

Federal Granter/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>Department of Health and Human Services</u></b>			
Passed Through North Dakota Department of Health			
Public Health Emergency Preparedness	93.069	6611 HLH3274(3)-11/ 6611 H3272-22/3-11	125,830
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HLH3394	6,500
Immunization Cooperative Agreements	93.268	HLH3314-01(317)/ HLH3314-06(PAN FLU)	35,973
Prevention and Public Health Fund-Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	HLH 4472	13,216
HIV Care Formula Grants	93.917	2201HLH3433/3434	34,747
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	4521HLH3204-01/ HLH3205-01	54,275
HIV Prevention Activities Health Department Based	93.940	H3374	2,715
Maternal & Child Health Services Block Grants to the States	93.994	4541HLH3133 -03/34-03	39,704
Passed Through Lutheran Social Services of North Dakota Refugee and Entrant Assistance Discretionary Grants	93.576	2013-36-2	1,541
Passed Through North Dakota Cancer Coalition Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	4521 HLH3214-03	<u>1,631</u>
Total Department of Health and Human Services			<u>316,132</u>
<b><u>Department of Homeland Security</u></b>			
Passed Through North Dakota Department of Emergency Services			
Emergency Management Performance Grants	97.042	A0058001-2013/ 2014-EMPG	45,476
Homeland Security Grants-Fire	97.067	A0120-001(2)(3)- 11RQ/12 RT-RE-HQ/13RT- RQ/14RQ	152,894
Homeland Security Grants-Law Enforcement	97.067	A0077-001(2)(3)-11RQ/ 12SHQ-RQ-RT/14RQ- RT	177,957
Total Homeland Security Grants			<u>330,851</u>
Total Department of Homeland Security			<u>376,327</u>
Total Federal Financial Assistance			<u>\$ 9,771,556</u>

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bismarck, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. City of Bismarck received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note B – Significant Accounting Policies**

Governmental fund types account for the City’s federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

**Note C – Agency or Pass-Through Number**

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 D – Subrecipients of Grant Awards**

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

<u>Federal Grantor/Program Title</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Department of Justice		
Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 9,717
Department of Housing and Urban Development		
Community Development Block Grants	14.218	315,224
Home Investment Partnerships Program	14.239	52,358
Department of Transportation		
Federal Transit Capital Investment Grants	20.500	301,162
Federal Transit Formula Grants	20.507	1,861,818

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

**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	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
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 OMB Circular A-133 §.510(a):	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Development Block Grants	14.218
Home Investment Partnerships Program	14.239
ARRA - Public Safety Partnership & Community Policing	16.710
Airport Improvement Projects	20.106
Homeland Security Grants	97.067
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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There are no findings or questioned costs relating to the major federal award programs which are required to be reported in accordance with Section \_\_.510(a) of OMB Circular A-133.