



Federal Awards
December 31, 2010
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

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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 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 16, 2011. 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 audit, we considered the City of Bismarck, North Dakota's internal control over financial reporting as a basis for designing our auditing procedures 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 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 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.

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.

This report is intended solely for the information and use of the audit committee, management 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.

Bismarck, North Dakota
May 16, 2011



CPAs & BUSINESS ADVISORS

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 Board of
City Commissioners
City of Bismarck
Bismarck, North Dakota

Compliance

We have audited the compliance of the City of Bismarck, North Dakota, 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, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Bismarck, North Dakota's management. Our responsibility is to express an opinion on the City of Bismarck, North Dakota'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 of Bismarck, North Dakota'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 of Bismarck, North Dakota's compliance with those requirements.

In our opinion, the City of Bismarck, North Dakota 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, 2010.

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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 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 material weaknesses, 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 Bismarck, North Dakota as of and for the year ended December 31, 2010, and have issued our report thereon dated May 16, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming 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 U.S. Office of Management and Budget 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 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 the audit committee, management, 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.



Bismarck, North Dakota
July 19, 2011

City of Bismarck
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Commerce			
Direct Economic Development Support for Planning Organizations		11.302	\$ 37,651
Total Department of Commerce			<u>37,651</u>
Housing and Urban Development			
Direct Community Development Block Grants		14.218	225,043
Direct Community Development Block Grants - ARRA		14.253	44,031
Cluster Total			<u>269,074</u>
ND Department of Commerce			
Home Investment Partnerships Program		14.239	352,810
Total U.S. Department of Housing & Urban Development			<u>621,884</u>
Department of Justice			
Direct Interoperable Communications Grant		16.710	1,111,811
Direct COPS Hiring Recovery Program - ARRA		16.710	118,317
			<u>1,230,128</u>
Direct Edward Byrne - Abused Adult Resource Center		16.579	8,998
Direct Encourage Arrest Policies		16.590	84,137
Direct Bullet Proof Vest/Armor		16.607	4,224
Direct Edward Byrne Memorial Justice Assistance Grant		16.738	128,929
Direct Edward Byrne Memorial Justice Assistance Grant - ARRA		16.804	41,374
ND Highway Patrol			
Enforcing Underage Drinking Laws		16.727	15,756
Bureau of Criminal Investigation			
Project Safe Neighborhoods		16.609	10,479
ND Association of Counties			
Title V Delinquency Prevention Program		16.548	8,004
Total Department of Justice			<u>1,532,029</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2010

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Transportation			
Direct Airport Improvement Project #36		20.106	8,430
Direct Airport Improvement Project #37		20.106	133,660
Direct Airport Improvement Project #38		20.106	75,712
Direct Airport Improvement Project #39		20.106	34,808
Direct Airport Improvement Project #40		20.106	3,663
Direct Airport Improvement Project #41		20.106	575
Direct Airport Improvement Project #42		20.106	1,369
Direct Airport Improvement Project #43		20.106	852,814
Direct Airport Improvement Project #44		20.106	100,005
Direct Airport Improvement Project #45		20.106	73,923
Direct Airport Improvement Project #46		20.106	578,703
			<u>1,863,662</u>
Direct Federal Transit - Formula Grants		20.507	1,624,975
Direct Federal Transit - Formula Grants - ARRA		20.507	1,077,198
			<u>2,702,173</u>
North Dakota Department of Transportation			
Highway Planning and Construction Cluster			
MPO - Highway Planning and Construction	38-976-0109	20.205	650,506
Highway Planning and Construction	TEU-1-981(081)091	20.205	1,917
Highway Planning and Construction - ARRA	STM-TEU-1-981(091)101	20.205	314,258
Highway Planning and Construction - ARRA	STM-SU-1-981(088)098	20.205	75,442
Highway Planning and Construction - ARRA	STM-SU-1-981(089)099	20.205	41
Highway Planning and Construction - ARRA	STM-SU-1-981(086)096	20.205	40,086
Cluster Total			<u>1,082,250</u>
State Attorney General			
State Fire Marshall Training		20.703	10,645
State Highway Department			
Highway Safety Cluster			
Click It or Ticket		20.600	3,777
Traffic Safety		20.600	1,414
Alcohol Compliance		20.601	1,978
Saturation Patrol		20.601	7,565
Cluster Total			<u>14,734</u>
Total Department of Transportation			<u>5,673,464</u>
Department of Energy			
Direct Energy Efficiency and Conservation Block - ARRA		81.128	63,400
Total Department of Commerce			<u>63,400</u>

City of Bismarck
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Homeland Security			
North Dakota Department of Emergency Management			
Emergency Management Performance Grant		97.042	38,329
Emergency Services - Fire & Inspections		97.073	34,991
Homeland Security - Law Enforcement Equipment		97.074	3,494
Homeland Security Cluster			
Homeland Security-Environmental Health	A0125-001-2008-HQ	97.067	10,275
HS-Emergency Management	A0120-001-2008-HQ	97.067	26,009
Emergency Management Safety Small Equipment	A0120-002-2007-HQRR	97.067	18,568
Emergency Management - Vehicles	A0120-002-2008-HQRR	97.067	308,157
HS-Emergency Management	A0120-001-2009-HQRR	97.067	53,739
Homeland Security-Law Enforcement Terrorist Prevention	A0077-002-2009-HT	97.067	4,167
Homeland Security-Law Enforcement Terrorism Prevention	A0077-001-2009-HQ	97.067	127,528
Homeland Security-Law Enforcement Terrorism Prevention	A0077-001-2008-HQRR	97.067	108,411
Homeland Security - Equipment	A0124-001-2007-HQ	97.067	14,019
Homeland Security - Equipment	A0124-001-2008-HQ	97.067	4,402
Cluster Total			<u>675,275</u>
Law Enforcement Officer Reimbursement Agreement		97.090	57,031
Total Department of Homeland Security			<u>809,120</u>
Department of Health & Human Services			
North Dakota Department of Health			
Bioterrorism - PIO		93.069	4,961
Public Health Emergency Preparedness and Response		93.069	164,661
			<u>169,622</u>
North Dakota Department of Emergency Management			
Bioterrorism Response Coordinator		93.283	92,443
Tobacco Prevention & Control		93.283	28,776
			<u>121,219</u>
Tuberculosis		93.116	6,300
Immunization		93.268	40,960
Ryan White CARE		93.917	8,737
Women's Way-Breast & Cervical Cancer Screening		93.919	61,958
HIV Testing		93.943	7,795
Maternal & Child Health/OPOP		93.994	41,652
ND Health Tracks		93.991	159,769
BITE		93.991	2,367
Move More Eat Smarter		93.991	3,000
			<u>165,136</u>
Total Department of Health & Human Services			<u>623,379</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2010

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Environmental Protection Agency			
Public Finance Authority			
Capitalization Grants for Clean Water State			
Revolving Funds		66.458	214,823
Capitalization Grants for Drinking Water State			
Revolving Funds		66.468	4,177,958
Total Environmental Protection Agency			<u>4,392,781</u>
Total			<u>\$ 13,753,708</u>

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 - Formula Grants	20.507	1,624,975
Federal Transit - Formula Grants - ARRA	20.507	1,077,198
Highway Planning and Construction	20.205	314,258
Department of Justice		
Title V Delinquency Prevention Program	16.548	8,004
Edward Byrne - Abused Adult Resource Center	16.579	8,998

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

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Bismarck.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Bismarck were disclosed during the audit.
4. No significant deficiencies were reported by our audit of internal control over the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Bismarck expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the City of Bismarck.
7. The programs tested as major programs were the Community Development Block Grants, CFDA # 14.218 and Community Development Block Grants – ARRA, CFDA # 14.253; Interoperable Communications Grant, CFDA #16.710 and COPS Hiring Recovery Program – ARRA, CFDA # 16.710; Federal Transit – Formula Grants, CFDA # 20.507 and Federal Transit – Formula Grants – ARRA, CFDA # 20.507; Highway Planning and Construction Cluster, CFDA # 20.205; Homeland Security Cluster, CFDA # 97.067; and Capitalization Grants for Drinking Water State Revolving Funds, CFDA # 66.468.
8. The threshold for distinguishing a Type A program was \$412,611.
9. The City of Bismarck was determined to be a high-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings - Major Federal Award Programs Audit

None