



Federal Awards
December 31, 2013

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 the City of Bismarck, North Dakota, as of and for the year ended December 31, 2013, 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 24, 2014.

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 24, 2014



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, 2013. 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, 2013.

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, 2013, and have issued our report thereon dated June 24, 2014 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 24, 2014

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Agriculture			
North Dakota Forest Service			
Cooperative Forestry Assistance	002-43300-FAR0017075	10.664	\$ 3,131
Total Department of Agriculture			<u>3,131</u>
Department of Housing and Urban Development			
Direct Community Development Block Grants	B-09/11/12/13- MC-38-0003	14.218	321,738
North Dakota Department of Commerce			
Home Investment Partnerships Program	2806/3551-M10111213- 10/2471-M0910111213- 10	14.239	98,451
Total Department of Housing & Urban Development			<u>420,189</u>
Department of Justice			
Direct Public Safety Partnership & Community Policing--ARRA	2009-RK-WX-0589	16.710	79,396
Direct Bullet Proof Vest/Armor	N/A	16.607	1,990
Jag Program Cluster			
Direct Edward Byrne Memorial Justice Assistance	2012-DJ-BX-1203/ 2013-DJ-BX-1050	16.738	47,995
Direct Edward Byrne Memorial Justice Assistance--ARRA	2009-SB-B9-2349	16.804	24,999
Office of Attorney General			
Bureau of Criminal Investigation Edward Byrne Memorial Justice Assistance Grant Program -- Abused Adult Resource Center	12218	16.738	7,800
JAG Program Cluster Total			<u>80,794</u>
Office on Violence Against Women			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	2009-WE-AX-0003	16.590	188,054
Office of Juvenile Justice and Delinquency Prevention			
North Dakota Highway Patrol Enforcing Underage Drinking Laws Program	2012-1	16.727	2,189
ND Division of Juvenile Services & ND Juvenile Justice State Advisory Group Juvenile Justice and Delinquency Prevention Allocation to States	T2-2011-105	16.540	6,607
Office of Juvenile Justice and Delinquency Prevention Total			<u>8,796</u>
Total Department of Justice			<u>359,030</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Transportation Federal Aviation Administration			
Direct Airport Improvement Projects	3-38-0003-045/046- 2010/47-2011/49-2012/ 50-2013/51-2013	20.106	2,602,658
Federal Transit Cluster			
Direct Federal Transit Capital Investment Grants	ND-04-0013-00/ ND-04-0018-00	20.500	252,618
Direct Federal Transit Formula Grants	ND-90-X094-01/ND-90- X091-01/ND-04-0004-00	20.507	1,613,442
Federal Transit Cluster Total			<u>1,866,060</u>
North Dakota Department of Transportation			
Metropolitan Transportation Planning	NDDOT 38-976-0109/ 38-178-1210	20.505	1,031,480
Federal Highway Administration			
Highway Planning and Construction	SHE1094148161/ SU1981085095	20.205	817,671
National Highway Traffic Safety Administration			
Highway Safety Cluster			
State and Community Highway Safety	NDDOT12131631/ 12121703	20.600	13,113
Alcohol Impaired Driving Countermeasures	NDDOT12131631/ 12121703	20.601	7,320
Highway Safety Cluster Total			<u>20,433</u>
Total Department of Transportation			<u>6,338,302</u>
Environmental Protection Agency			
Public Finance Authority			
Capitalization Grant for Drinking Water State Revolving Funds	08-00080-01	66.468	3,057,290
North Dakota Department of Health			
Environmental Information Exchange Network Grant Program and Related Assistance	N/A	66.608	808
Total Environmental Protection Agency			<u>3,058,098</u>

City of Bismarck
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

<u>Grantor Passed Through Program</u>	<u>Pass-Through Grant Number</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Health and Human Services			
North Dakota Department of Health			
Public Health Emergency Preparedness	6611 HLH3274(3)-11/ 6611 H3272-22/3-11	93.069	141,265
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	HLH3393	93.116	7,000
Immunization Cooperative Agreements	HLH331301(317)/ HLH331306	93.268	26,736
Prevention and Public Health Fund-Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	HLH 4472	93.539	28,265
Refugee and Entrant Assistance Discretionary Grants	2013-36	93.576	1,252
HIV Care Formula Grants	2201HLH3433/3434	93.917	33,323
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	4521HLH3204-01/ HLH3803-01	93.919	45,095
HIV Prevention Activities Health Department Based	HJH-PF11-98	93.940	4,825
Maternal & Child Health Services Block Grant to the States	4541HLH3132-03/33-03	93.994	94,479
North Dakota Cancer Coalition			
Centers for Disease Control and Prevention Investigations and Technical Assistance	4521 HLH3214-03	93.283	2,027
Total Department of Health and Human Services			<u>384,267</u>
Department of Homeland Security			
North Dakota Department of Emergency Services			
Disaster Grants--Public Assistance (FEMA)	2011	97.036	941,693
Emergency Management Performance Grants	A0058001-2013/ 2012-EMPG	97.042	43,995
Homeland Security Cluster			
Homeland Security Grants--Fire	A0120-001(2)- 11RQ/12RT 10SART/13HMEPT	97.067	43,176
Homeland Security-Law Enforcement	A0077-001(2)-2011RQ/ 2012RT/2012HQ	97.067	114,990
Homeland Security Cluster Total			<u>158,166</u>
Total Department of Homeland Security			<u>1,143,854</u>
Total			<u>\$ 11,706,871</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 Justice		
Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 7,800
Department of Transportation		
Federal Transit--Capital Investment Grants	20.500	252,618
Federal Transit--Formula Grants	20.507	1,613,442

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>
Federal Transit Cluster	20.500/20.507
Highway Planning and Construction	20.205
Metropolitan Transportation Planning	20.505
Dollar threshold used to distinguish between Type A and Type B programs	\$351,206
Auditee qualified as low-risk auditee	Yes

B. Findings - Financial Statement Audit

None

C. Findings - Major Federal Award Programs Audit

None