



Federal Awards Reports in Accordance
with the Uniform Guidance
December 31, 2017

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, 2017, 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, 2018.

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 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 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.

The image shows a handwritten signature in cursive script that reads "Eide Sallee LLP".

Bismarck, North Dakota
June 25, 2018



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 the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on each of the City of Bismarck, North Dakota’s major federal programs for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 types of 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, 2017.

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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City of Bismarck as of and for the year ended December 31, 2017, and have issued our report thereon dated June 25, 2018, 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 the Uniform Guidance 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 Sallee LLP

Bismarck, North Dakota
June 25, 2018

City of Bismarck
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Amounts Passed- Through to Subrecipients
<u>Department of Housing and Urban Development</u>				
Community Development Block Grants	14.218	B-14(15)(16)- MC-38-0003	\$ 184,769	\$ 145,045
Passed Through North Dakota Department of Commerce Community Development Block Grants	14.228	B-08-DN-38-001	730,000	730,000
Home Investment Partnerships Program	14.239	M-15-DC-38-0001/M- 16-DC-38-0001	<u>55,006</u>	<u>46,751</u>
Total Department of Housing & Urban Development			<u>969,775</u>	<u>921,796</u>
<u>Department of Justice</u>				
Bullet Proof Vest/Armor	16.607		11,845	-
Public Safety Partnership & Community Policing	16.710	2013UMWX0149	23,147	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0061/ 2016-DJ-BS-0720	29,372	10,068
Passed Through Office of Attorney General Edward Byrne Memorial Justice Assistance Grant Program	16.738	G16209/G16223/G16220	<u>18,091</u>	<u>18,091</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>47,463</u>	<u>28,159</u>
Passed Through North Dakota Department of Health Violence Against Women Formula Grants	16.588	G15.900/G17.470 4451HLH4126(7)01	<u>20,339</u>	<u>20,339</u>
Total Department of Justice			<u>102,794</u>	<u>48,498</u>
<u>Department of Transportation</u>				
Airport Improvement Projects	20.106	3-38-0003-051-2013 (54-2015)(55-2015) (57-2016)(58-2017)	12,854,302	-
Federal Transit Cluster Federal Transit Capital Investment Grants	20.500	ND-04-0018-00	17,948	17,948
Federal Transit Formula Grants Total Federal Transit Cluster	20.507	ND-2018-002-00 ND-2017-003-00 ND-2017-003-01-00	<u>1,713,792</u> 1,731,740	<u>1,713,792</u> 1,731,740
Passed Through North Dakota Department of Transportation Metropolitan Transportation Planning	20.505	CPG0020016(17)	234,781	-
Passed Through Federal Highway Administration Highway Planning Cluster				
Highway Planning and Construction	20.205	CPG0020016 TAU-RTP-1981(107)117	600,601	-
Recreational Trails Program Total Highway Planning Cluster	20.219	TAU-RTP-1981(107)117	<u>68,110</u> 668,711	<u>-</u> -

City of Bismarck
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Amounts Passed- Through to Subrecipients
Passed Through National Highway Traffic Safety Administration Highway Safety Cluster				
National Priority Safety Programs	20.600	NDDOT 12171353 18X9204020ND17	1,004	-
National Priority Safety Programs Total Highway Safety Cluster	20.616	NDDOT12171353 12161850 18X920405B(D)ND17	<u>17,455</u> <u>18,459</u>	<u>-</u> <u>-</u>
Total Department of Transportation			<u>15,507,993</u>	<u>1,731,740</u>
<u>Department of Health and Human Services</u>				
Passed Through North Dakota Department of Health				
Public Health Emergency Preparedness	93.069	6611HLH3277(8)-11(22) G15(17).713(037)(723)(009)	176,436	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2201-HLH3397-01 PF15.259(294)	6,600	-
Immunization Cooperative Agreements	93.268	HLH3316(7)-06 G15.421(1016)	3,286	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure Performance	93.539	HLH4606(7)-01 G15(17).421(516)(1016)	30,028	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	4521HLH3217-01 PF15.204	49,202	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.898	4521HLH3218-01 PF17.026	30,884	-
HIV Care Formula Grants	93.917	2201HLH3437(8)-03/09 PF15.149/G15.1060	112,992	-
HIV Prevention Activities Health Department Based	93.940	2201 HLH 337-02 HLH 123919 HLH 123917-01 PF15.052(269)	2,800	-
Maternal & Child Health Services Block Grants to the States	93.994	4541HLH3136(7)-003 G15.540(504), G17.434	77,921	-
Passed Through Lutheran Social Services of North Dakota Refugee and Entrant Assistance Discretionary Grants	93.576	2017(18)-HP 5	2,482	-
Passed Through North Dakota Cancer Coalition Preventive Health and Health Service Block Grant funded solely with Prevention and Public Health Funds	93.758	4561 HLH3146(7)-06(31) G15.936, G 17.425	<u>14,078</u>	<u>-</u>
Total Department of Health and Human Services			<u>506,709</u>	<u>-</u>

City of Bismarck
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients</u>
<u>Department of Homeland Security</u>				
Passed Through North Dakota Department of Emergency Services				
Emergency Management Performance Grants	97.042	A0058001-2015 2016-EMPG	52,391	-
Homeland Security Cluster				
Homeland Security Grants-Fire	97.067	A0120-001(2)(3)- 2014(2015)RT/RE/RQ	134,633	-
Homeland Security Grants-Law Enforcement	97.067	A0077-001(2)-2014RT(Q) A1196-001(2)-2015RT(Q)	124,388	-
Total Homeland Security Cluster			<u>259,021</u>	<u>-</u>
Total Department of Homeland Security			<u>311,412</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 17,398,683</u>	<u>\$ 2,702,034</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Bismarck under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Bismarck, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City of Bismarck.

Note B – Summary of Significant Accounting Policies

Governmental fund types account for the majority of the City's federal grant activity, with the exception of the Airport Improvement Project grants which are recorded in the airport enterprise fund. Therefore, expenditures reported in the schedule of expenditures of federal awards are recognized on the accrual basis of accounting for the airport improvement projects, and the remaining expenditures reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

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 the Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Projects	20.106
Community Development Block Grants	14.228
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

There are no financial statement findings reported in the current year.

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs related to the major federal award programs which are required to be reported in accordance with Section 2 CFR 200.516 of the Uniform Guidance.