



Federal Awards Reports in Accordance  
with the Uniform Guidance  
December 31, 2022

**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***

To 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bismarck, North Dakota, as of and for the year ended December 31, 2022, 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 23, 2023.

**Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

**Report on 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 financial statements. 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*.

**Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Bismarck's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001. City of Bismarck's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
June 23, 2023



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 the Uniform Guidance**

To the Honorable Mayor  
and Board of City Commissioners  
City of Bismarck  
Bismarck, North Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Bismarck, North Dakota’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Bismarck’s major federal programs for the year ended December 31, 2022. City of Bismarck’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Bismarck and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Bismarck’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Bismarck’s federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Bismarck's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Bismarck's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Bismarck's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Bismarck's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Bismarck's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bismarck as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Bismarck's basic financial statements. We issued our report thereon dated June 23, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.



Bismarck, North Dakota  
June 23, 2023

City of Bismarck  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
<u>Department of Agriculture</u>				
Passed Through North Dakota State University - ND Forest Service				
Cooperative Forestry Assistance	10.664	2022Sept-ATB-TP150	\$ 13,111	\$ -
Urban and Community Forestry Program	10.675	2021-UPP-BIS001	18,780	-
Total Department of Agriculture			31,891	-
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		183,614	111,824
COVID-19 Community Development Block Grants/Entitlement Grants	14.218		54,298	42,078
Total Department of Housing and Urban Development			237,912	153,902
<u>Department of the Interior</u>				
Passed Through State Historical Society of North Dakota				
Historic Preservation Fund Grants-In-Aid	15.904	ND-21-10026/ND-22-10026	12,987	-
Total Department of Interior			12,987	-
<u>Department of Justice</u>				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034		7,991	-
Bulletproof Vest Partnership Program	16.607		14,963	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		45,486	11,130
Comprehensive Opioid, Stimulant, and Sstane Abuse Program	16.838		61,390	61,390
Passed Through North Dakota Department of Health				
Violence Against Women Formula Grants	16.588	4551 HLH 6122 01	13,119	13,119
Total Department of Justice			142,949	85,639
<u>Department of Transportation</u>				
Airport Improvement Program	20.106		8,463,153	-
COVID-19 Airport Improvement Program	20.106		6,350,568	-
Total Airport Improvement Projects			14,813,721	-
Federal Transit Cluster				
Federal Transit Formula Grants	20.507		764,700	764,700
COVID-19 Federal Transit Formula Grants	20.507		2,390,478	2,390,478
Bus and Bus Facilities Formula Program	20.526		1,982	1,982
Passed Through North Dakota Department of Transportation				
Bus and Bus Facilities Formula Program	20.526	38190947/ 38210048	838,591	838,591
Federal Transit Cluster Total			3,995,751	3,995,751
Passed Through North Dakota Department of Transportation				
Highway Planning and Construction Cluster				
		UGP-1981(120)/ UGP-1981(122)/ AC-NHU-CVD-1-981(123)/		
Highway Planning and Construction	20.205	TAU-1-981(124)/38201400	7,306,765	-
COVID-19 Highway Planning and Construction	20.205	AC-NHU-CVD-1-981(123)	574,285	-
Transit Services Program Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38210811/ 38211315/ 38220703(4)	123,584	123,584
Highway Safety Cluster				
State and Community Highway Safety	20.600	12211092	7,006	-
National Priority Safety Programs	20.616	12211092	3,037	-
Total Highway Safety Cluster			10,043	-

City of Bismarck  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
Metropolitan Transportation Planning	20.505	38201400	217,252	-
Passed Through North Dakota Department of Transportation Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	693JK32240028HMEP	8,428	-
Total Department of Transportation			27,049,829	4,119,335
<u>Department of Treasury</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		9,656,565	-
Total Department of Treasury			9,656,565	-
<u>Environmental Protection Agency</u>				
Passed Through North Dakota Public Finance Authority				
Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds	66.458	0800080-02(03)	916,648	-
Total Environmental Protection Agency			916,648	-
<u>Department of Health and Human Services</u>				
Drug-Free Communities Support Program Grants	93.276		123,362	-
Passed Through North Dakota Department of Health				
Public Health Emergency Preparedness	93.069	6611HLH5272(3)-11	200,178	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2201 HLH 5392-01/ 2201 HL1243-04/ 2201 HLH 3391(5391)-01	42,887	-
Immunization Cooperative Agreements	93.268	2201 HLH 5313 03(08)/ 2201 HL 5311-06(08)	572,329	48,604
Public Health Emergency Response	93.354	6611HLH0025-1	10,458	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2201 HLH 4501(06)01	109,815	6,683
Activities to Support State, Tribal, Local and Territorial (STLT) Health				
Department Response to Public Health or Healthcare Crises	93.391	4521 HLH 5213 01/ 4541 HLH 4903 01	91,938	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	4521 HLH 5212(3) 01	95,729	-
HIV Care Formula Grants	93.917	2201 HLH 5433-03(09)/ 2201 HLH35432-03	128,770	-
HIV Prevention Activities Health Department Based	93.940	HIV 2201 HLH 5373 02	4,430	-
Preventive Health and Health Services Block Grant	93.991	4531 HLH 5141(2) 31	25,979	-
Maternal and Child Health Services Block Grant to the Stated	93.994	4551 HLH 5131(2) 05	6,104	-
Total Department of Health and Human Services			1,411,979	55,287
<u>Department of Homeland Security</u>				
Passed Through North Dakota Department of Game and Fish				
Boating Safety Financial Assistance	97.012	3319FAS190138	4,064	-
Passed Through North Dakota Department of Emergency Services				
Hazard Mitigation Grant	97.039	FEMA-DR-4475-ND	278,118	-
Emergency Management Performance Grants	97.042	EMD-2021(2)-EP-00005-S01 EMW-2019-SS-000033-S01/	62,963	-
Homeland Security Grant Program	97.067	EMW-2020(1)-SS-00773(63)	190,107	-
Total Department of Homeland Security			535,252	-
Total Federal Financial Assistance			<u>\$ 39,996,012</u>	<u>\$ 4,414,163</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, 2022. 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, except for subrecipient 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. Subrecipient expenditures are recorded on the cash basis. 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.

**Note D – Loan Programs**

As of December 31, 2022, the City's liability relating to the Drinking Water State Revolving Fund (SRF) Loan (AL #66.468) is \$5,710,489. As of December 31, 2022, the City's liability relating to the Clean Water State Revolving Fund (SRF) Loan (AL #66.458) is \$4,705,000

Section I – Summary of Auditor’s Results

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
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>Federal Financial Assistance Listing/CFDA Number</u>
Airport Improvement Program	20.106
Federal Transit Cluster	20.507, 20.526
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs	\$1,199,880
Auditee qualified as low-risk auditee?	Yes

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Section II – Financial Statement Findings

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**2022-001      Material Journal Entry including Restatement  
Material Weakness**

Criteria - AU-C Section 265, A.11 in part states, indicators of material weaknesses in internal control include restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error.

Condition - The City of Bismarck identified and corrected an error relating to the timing of revenue recognition for special assessments. In addition, during the course of our engagement, we proposed a material audit adjustment to remove accounts receivable related to a debt issuance recorded in the Solid Waste Disposal Fund.

Cause - The internal control processes for the City of Bismarck were designed properly but failed to timely discover the errors when preparing the financial statements.

Effect - The beginning fund balances for the governmental funds were reduced by over \$11 million and the receivables and debt were reduced by over \$5 million in the Solid Waste Disposal Fund.

Repeat Finding - No

Recommendation - We recommend the City of Bismarck add to the internal control process a step to detect these errors in a more timely manner in future years.

Response - The City has improved its internal controls to identify these errors in a more timely manner by increasing analytical procedures during financial statement preparation and review.

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Section III – Federal Award Findings and Questioned Costs

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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.