

CITY OF GRAND FORKS, NORTH DAKOTA
INDEPENDENT AUDITOR'S REPORTING REQUIREMENTS
AND OTHER COMMUNICATIONS REQUIRED UNDER
THE SINGLE AUDIT ACT AMENDMENTS OF 1996

FOR THE YEAR ENDED

DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	1-2
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5-10
Notes to the Schedule of Expenditures of Federal Awards	11-12
Schedule of Findings and Questioned Costs	13
Schedule of Prior Audit Findings	14



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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
Members of the City Council
City of Grand Forks, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Forks, North Dakota, as of and for the year ended December 31, 2010, which collectively comprise the City of Grand Forks basic financial statements and have issued our report thereon dated June 10, 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 Grand Forks' 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 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 Grand Forks' 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.

We noted certain matters that we reported to management of the City of Grand Forks in a separate letter dated June 10, 2011.

This report is intended solely for the information of the Honorable Mayor and members of the City Council, management and state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 10, 2011



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Grand Forks, North Dakota

Compliance

We have audited the City of Grand Forks' 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, 2010. The City of Grand Forks' 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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Grand Forks' basic financial statements include the operations of the Grand Forks Airport Authority, which received \$8,173,347 in federal awards that are not included in the schedule during the year ended December 31, 2010. Our audit described below, did not include the operations of the Grand Forks Airport Authority because the Authority engaged us to perform a separate audit in accordance with OMB Circular A-133.

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, and OMB Circular A-133. 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'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 on the City's compliance with those requirements.

In our opinion, the City of Grand Forks 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, 2010.

Internal Control Over Compliance

Management of the City of Grand Forks is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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'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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Forks as of and for the year ended December 31, 2010, and have issued our report thereon dated June 10, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Grand Forks' basic financial statements. 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 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 of the Honorable Mayor and members of the City Council, management and state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.


BRADY, MARTZ & ASSOCIATES, P.C.

June 10, 2011

**CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Environmental Protection Agency			
Pass Through NDBB - SRF loan 380806-01 (03)	66.458	\$ 6,686,156	\$ 24,253
Total Environmental Protection Agency		<u>6,686,156</u>	<u>24,253</u>
Department of Energy			
ARRA - DE-SC000-3248	81.128	569,800	351,575
Total EECBG Grant		<u>569,800</u>	<u>351,575</u>
Pass Through ND Department of Commerce/DCS DE-FG26-07NT43202	81.041	5,000	
ARRA - DE-EE0000142	81.041	15,000	15,000
Total Division of Community Services		<u>20,000</u>	<u>15,000</u>
Total Department of Energy		<u>589,800</u>	<u>366,575</u>
Department of Transportation			
Federal Transit Administration			
FTA Capital Improvement			
FTA ND-04-0006	20.500	170,000	73,367
FTA ND-04-0007	20.500	384,000	91,432
FTA ND-04-0010	20.500	210,036	210,036
ND-04-0009 (FY 2008 Section 5309)	20.500	226,000	226,000
ND-04-0012 (FY 2009 Section 5309)	20.500	1,000,001	711,134
Total FTA Capital Improvement		<u>1,990,037</u>	<u>1,311,969</u>
Federal Transit Administration			
FTA Operating & Capital Assistance			
ND-90-X079-00 (FY06 New Freedom)	20.507	28,942	1,779
ND-90-X080-00	20.507	835,693	5,743
ND-90-X082-00	20.507	903,493	291,385
ND-90-X086-00	20.507	1,030,045	582,198
ARRA - ND-96-X003-00	20.507	1,176,567	1,176,567
Total FTA Operating & Capital Assistance		<u>3,974,740</u>	<u>2,057,672</u>

See Notes to Schedule

**CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

North Dakota State Grants

(Pass through NDDOT)

ND-37-X009-00 (NDDOT #38-998-0609 FY07 JARC)	20.516	68,667	19,675
NDDOT #38-062-1001 (JARC)	20.516	101,916	
NDDOT #38-100-0310 (FY08 JARC)	20.516	79,860	39,930
NDDOT #38-172-0910 (FY09 JARC)	20.516	40,000	20,139
NDDOT #38-101-0310 (FY08 New Freedom)	20.521	31,200	
NDDOT #38-173-0910 (FY09 New Freedom)	20.521	27,509	
Total North Dakota State Grants		349,152	79,744

Federal Highway Administration

Pass Through North Dakota State Dept. of Transportation

RPS-9999(234)	20.205	179,513	85,225
RPS-9999(240)	20.205	427,082	290,585
SU-6-002(089)910	20.205	152,301	8,186
SU-6-081(068)940	20.205	2,026,270	51,622
SU-6-297(006)002	20.205	3,027,357	89,867
SU-6-297(007)002	20.205	1,513,683	
SU-6-986(082)086 (Const.-Paving S 48th St.)	20.205	4,213,231	273,895
SU-6-986(082)086 (Const.-Strm. Sewer/Drainage)	20.205	2,106,769	1,368,333
SU-6-986(082)086 (Land-Paving S 48th St.)	20.205	154,560	154,560
SU-6-986(082)086 (Land-Strm. Sewer/Drainage)	20.205	72,183	72,183
SU-6-986(082)086 (Eng.-Paving S 48th St.)	20.205	369,170	25,393
SU-6-986(082)086 (Eng.-Strm. Sewer/Drainage)	20.205	184,598	127,116
SU-6-986(083)087	20.205	764,196	6,749
SU-6-986(084)088	20.205	1,764,624	1,381,264
TE Funds	20.205	91,433	76,362
Total Federal Highway Administration		17,046,970	4,011,340

National Highway Traffic Safety Administration

Pass Through North Dakota Dept. of Transportation

Section 402 Program

NDDOT 09-646-1009	20.601	5,400	3,807
NDDOT 12-027-0210	20.600	1,500	1,500
NDDOT 12-083-0410	20.600	4,000	3,982
NDDOT 12-100-2841	20.600	7,200	2,573
NDDOT 12-100-2842	20.601	9,600	1,126
Total National Highway Traffic Safety Administration		27,700	12,988

See Notes to Schedule

**CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Division of Homeland Security				
Pass Through North Dakota Dept of Emergency Services				
HOMELAND SECURITY#A0461-001-2010-HMEPT	FD	20.703	19,280	19,280
HOMELAND SECURITY#A0461-002-2010-HMEPP	FD	20.703	24,020	24,020
Total Division of Homeland Security			<u>43,300</u>	<u>43,300</u>
Total Department of Transportation			<u>23,431,899</u>	<u>7,517,013</u>
Department of Housing & Urban Development				
Community Development Block Grants -				
Entitlement Grants Cluster				
Program Income - Revolving Loan Fund				
B-09-MC-38-0002		14.218	419,434	269,943
B-10-MC-38-0002		14.218	451,667	25,233
Program Income				<u>750,855</u>
Total Community Development Block Grants			<u>871,101</u>	<u>1,133,011</u>
HOME HUD Grant				
M08SG380100/M09SG380100/M10SG380100 (2217-M080910-12)		14.239	48,500	13,026
M07SG380100/M08SG380100/M09SG380100 (2041-M070809-12)		14.239	694,500	114,250
2189-M07-12		14.239	52,500	589
Program Income - Current Elmwood				11,299
Recapture Funds				<u>19,020</u>
Total HOME HUD Grant			<u>795,500</u>	<u>158,184</u>
Pass Through North Dakota Dept of Commerce/DCS				
B-08-DN-38-0001 (2459-NSP09) (HERA)		14.228	4,243,282	2,286,537
Total Division of Community Services			<u>4,243,282</u>	<u>2,286,537</u>
Total Department of Housing & Urban Development			<u>5,909,883</u>	<u>3,577,732</u>
Department of Health & Human Services				
Pass Through N.D. Department of Health				
Maternal and Child Health Care/Nutrition				
09-011		93.994	65,005	21,061
09-754(A)		93.994	68,808	41,939
Care Coordination Grant				
09-063		93.994	71,400	35,980
Communicable Disease Control				
PF09-097		93.943	4,481	4,481

See Notes to Schedule

**CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Immunization Initiative Grant			
09-527(A)	93.268	45,260	45,026
ARRA - 09-694 (Immunization Coalition)	93.712	20,000	5,545
Tobacco Prevention & Control			
G09-11	93.283	55,258	27,628
G09-147	93.283	26,490	5,445
G09-681	93.283	30,000	29,999
West Nile Virus Surveillance			
09-724(A)	93.283	15,880	15,880
Skin Cancer Prevention			
09-331	93.283	3,000	2,365
Bioterrorism			
09-112 (Health Alert Network)	93.283	6,840	4,560
09-877 (Health Alert Network)	93.283	2,280	2,280
Emergency Preparedness & Response			
09-226(A)	93.069	490,804	276,989
09-240(A)	93.069	38,470	19,235
09-424	93.069	147,781	147,760
09-452	93.069	310,271	46,744
Ryan White Care Grant			
PF08-302	93.917	1,241	1,241
PF09-150	93.917	6,670	6,670
Tuberculosis Control			
PF09-083	93.116	6,067	6,067
Women's Way Grant			
09-024(A)(B)	93.919	62,382	20,799
PF09-205	93.283	83,855	33,220
Total North Dakota Department of Health		1,562,243	800,914
Pass Through N.D. Department of Human Services			
Health Tracks			
(formerly Early Prevention Screening Program)			
1/1/10 - 12/31/10	93.778	63,866	63,866
Refugee Health Services			
600-07886	93.566	17,150	17,150
2011-03	93.566	21,000	1,668
Total North Dakota Department of Human Services		102,016	82,684
Total Department of Health & Human Services		1,664,259	883,598

See Notes to Schedule

CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)

Department of Interior, Fish & Wildlife Service

National Park Service

Pass Through North Dakota State Historical Society

38-09-21840-28	15.904	25,458	15,745
38-10-21941-27	15.904	26,110	14,385

Total Department of Interior

		51,568	30,130
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Department of Justice-Office of Justice Programs

Pass Through ND State Office of Attorney General

BULLET PROOF VEST PROGRAM	16.607	37,219	6,087
09-208 (CVIC)	16.738	12,500	12,500
09-706 (Project Safe Neighborhoods)	16.609	5,000	5,000
2007-DJ-BX-0492	16.738	54,337	
2008-DJ-BX-0310	16.738	16,598	11,837
2009-DJ-BX-0584	16.738	44,474	10,244
2010-DJ-BX-1020	16.738	49,204	
ARRA - #ST09205	16.803	153,040	58,238
ARRA - #ST09206	16.803	6,420	236
ARRA - #ST09-228 (CVIC)	16.803	94,970	21,459
ARRA - 2009-SB-B9-2428	16.804	261,710	194,165
2010-MU-MU-K019 (CVIC)	16.560	159,967	25,472

Pass Through North Dakota Dept. of Transportation

ND HWY DEPT 2009-1	16.727	7,809	3,395
ND HWY DEPT 2010-1	16.727	7,100	5,527

Office of Community Oriented Policing Services (COPS)

04-WE-AX-0048 (CVIC)	16.592	794,690	180,162
05-IN-WX-0012	16.710	3,000,000	74,671
ARRA - 2009-RK-WX-0595	16.710	360,436	105,925
CY10-402	16.UNK	55,497	55,485
HIDTA 23593-GF	16.UNK	333,240	16,215

Pass Through ND Department of Health

09-387	16.588	23,643	14,429
G09-1007	16.588	21,069	10,525

Total Department of Justice

		5,498,923	811,572
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See Notes to Schedule

**CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

Department of Homeland Security

Pass Through North Dakota Dept of Emergency Services

HOMELAND SECURITY/#A0457-001-2008-HTRR	PD	97.067	45,912	4,031
HOMELAND SECURITY/#A0457-002-2008-HQRR	PD	97.067	238,241	190,946
HOMELAND SECURITY/#A0461-001-2008-HQ	FD	97.067	9,000	4,543
HOMELAND SECURITY/#A0461-001-2009-HQRR	FD	97.067	157,415	135,432
HOMELAND SECURITY/#A0461-002-2009-HTRR	FD	97.067	26,768	
HOMELAND SECURITY/#A0461-003-2008-HQRR	FD	97.067	412,557	251,967
HOMELAND SECURITY/#A0574-001-2009-HQRR	PD	97.067	266,755	176,677
HOMELAND SECURITY/#A0574-002-2009-HTRR	PD	97.067	44,479	15,638
HOMELAND SECURITY/#A0574-003-2009-HPRR	PD	97.067	11,050	1,342
HOMELAND SECURITY/#A1004-001-2009-HQ	PD	97.067	275,397	275,071
HOMELAND SECURITY/#A0815-001-2008-HQ	PSAP	97.067	35,000	

Total North Dakota Department of Emergency Services			1,522,574	1,055,647
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Federal Emergency Management Agency (FEMA)

EMW-2009-FP-01342	FD	97.044	2,703	2,703
FEMA-1829-ND-035-32060-00		97.036	467,302	40,504
FEMA-1907-ND-035-32060-00		97.036	88,651	75,353
FEMA-3309-ND-2010		97.036	16,883	14,351

Total Federal Emergency Management Agency			575,539	132,911
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Total Department of Homeland Security			2,098,113	1,188,558
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Department of Commerce

Project 05-19-59026 Revolving Loan Funds		11.307	2,222,223	1,864,003
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Total Department of Commerce			2,222,223	1,864,003
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Total Expenditures of Federal Awards			\$ 48,152,824	\$ 16,263,434
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See Notes to Schedule

CITY OF GRAND FORKS, NORTH DAKOTA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2010

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Grand Forks and is presented on the accrual basis. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 Loans Outstanding

The City of Grand Forks had the following loan balances outstanding at December 31, 2010. Current year loan expenditures were \$24,253. These loan balances outstanding are not included in the federal expenditures presented in the schedule, as they are not considered to have continuing compliance requirements:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
North Dakota Finance Authority - State Revolving Fund	66.458	
Loan #380800-01		\$ 1,810,000
Loan #380800-02		1,105,000
Loan #380806-01(01)		6,300,000
Loan #380806-01(02)		8,415,000
Loan #1800410-01		6,370,000
Loan #1800410-02		6,130,000
Loan #380798-01		1,004,000
Loan #380798-02		1,330,000
Loan #380806-01 (03)		4,166,561
Loan #380806-02		3,575,000

NOTE 3 Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 149,553
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	21,809

NOTE 4 Program Income

As of December 31, 2010, the City of Grand Forks earned \$750,855 in program income from its CDBG Emergency Supplemental Appropriation Grant, \$86,980 in program income from its CDBG Revolving Loan Fund and \$30,319 in program income from its HOME HUD grant.

NOTE 5 Matching Costs

The accompanying schedule of expenditures of federal awards does not include matching expenditures.

CITY OF GRAND FORKS, NORTH DAKOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2010

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

81.128 – ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

20.500 & 20.507 – ARRA - Federal Transit Cluster

14.228 – Community Development Block Grants NSP (HERA)

93.069 – Emergency Preparedness and Response

16.804 – ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)

16.710 – ARRA - Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$431,982

Auditee qualified as low-risk auditee? yes no

Section II-Financial Statement Findings

There are no findings that are required to be reported under this section.

Section III-Federal Award Findings and Questioned Costs

There are no findings that are required to be reported under this section.

CITY OF GRAND FORKS, NORTH DAKOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended December 31, 2010

No prior audit findings were required to be reported.