

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

ST. LOUIS COUNTY
DULUTH, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Year Ended December 31, 2009



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of St. Louis County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of St. Louis County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of St. Louis County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for St. Louis County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Schools and Roads - Grant to States	CFDA #10.665
Community Development Block Grant (CDBG) - Entitlement Grants Cluster	
CDBG - Entitlement Grants/Entitlement Grants	CFDA #14.218
CDBG - Entitlement Grants/Entitlement Grants - ARRA	CFDA #14.253

Schedule 1
(Continued)

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658

H. The threshold for distinguishing between Types A and B programs was \$1,116,757.

I. St. Louis County was determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-10 Departmental Internal Accounting Controls

Due to the limited number of office personnel within the various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Although this is not unusual in small departmental situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that County management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

The Auditor's Office will notify Department Heads of this finding and remind them to review their internal controls and to segregate duties where possible.

06-2 Time Sheet Approval

During our prior year's review of payroll, we had selected 40 transactions for testing. At that time, we detected two instances in which the time sheets did not have the proper signatures. County policy requires that both the employee and their direct supervisor sign the time sheets to provide assurance that the hours being reported are legitimate. In our current audit, we again reviewed a sample of time sheets for the proper signatures. In one instance, the worker's time sheet was again unsigned by the supervisor. We also detected another instance of an unapproved time sheet in our review of the Public Health and Human Services cost allocation plan. The signatures of the employee and supervisor attest to their agreement in hours being claimed as worked. Without attesting signatures, there is the potential for both error and manipulation of hours claimed as worked to occur.

We recommend that the County Auditor's Office require departments to submit time sheets in accordance with County policy and that time sheets lacking proper signatures be returned to the departments responsible for the required signatures.

Client's Response:

The Auditor's Office will notify Department Heads of this finding and have them confirm that they have notified their supervisors of this requirement and have procedures in place to ensure that all time sheets have been reviewed and signed by a supervisor.

PREVIOUSLY REPORTED ITEM RESOLVED

Identification of Federal Revenue - Highway Planning and Construction (08-1)

Federal road construction receivables were not correctly identified.

Resolution

Our current year tests of federal highway construction activity did not detect any errors in the recognition of federal receivables.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Identification of Federal Revenue - Medical Assistance - CFDA #93.778 (08-2)

Federal Child-Teen-Checkup revenues under the Medical Assistance program were not correctly identified.

Resolution

Our current year tests of the Child-Teen-Checkup program did not detect any errors in revenue classifications.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-3 Claim Declaration

We noted that the County did not obtain declarations as required by Minn. Stat. §§ 471.38 and 471.391, subd. 2.

A signed declaration by the claimant is required by Minn. Stat. § 471.38, to the effect that the claim is just and correct and that no part of it has been paid. The declaration may be printed on the reverse side of the check, above the space for endorsement by the payee. Minn. Stat. § 471.391, subd. 2. When the check is endorsed by the payee, the statement satisfies the declaration requirement. The declaration form is specified in Minn. Stat. § 471.391.

We recommend the County Auditor's Office stamp or have printed on the County check stock the declaration statement specified in Minn. Stat. §§ 471.38 and 471.391.

Client's Response:

The Auditor's Office is reordering check stock in June of 2010 and will make sure the declaration is on the back of the checks.

PREVIOUSLY REPORTED ITEM RESOLVED

Depository Pledge Agreements and Board Approval of Collateral (08-3)

Pledge agreements reviewed did not contain the language required under Minn. Stat. § 118A.03, subd. 4, and were not in compliance with the Financial Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 12 U.S.C. § 1823(e).

Resolution

Pledge agreements reviewed contain the required language and conform to the requirements of FIRREA.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

09-1 Custodial Credit Risk

The County has an investment policy but it does not include a provision on deposit and investment custodial credit risk as recommended by Governmental Accounting Standards Board (GASB) Statement 40. Custodial credit risk is the risk of loss associated with a failure of a counterparty holding an entity's deposits or investments. Even though the risk may be mitigated through insurance or bond or collateral assigned to the entity, an entity's investment policy should have a provision to address both deposit and investment custodial credit risk. A comprehensive investment policy should address to users of its financial statements how the entity intends to minimize or eliminate its exposure to deposit and investment custodial credit risk.

We recommend that the County update its current investment policy to address deposit and investment custodial credit risk. Examples of possible language are included in the current *Statement of Position* on custodial credit risk located on the Office of the State Auditor's website.

Client's Response:

The Auditor's Office has re-written the investment policy for board approval and the new policy addresses custodial risk.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

GASB recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (for example, corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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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*

Board of County Commissioners
St. Louis County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2010. 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 St. Louis County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the County'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. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-10 and 06-2, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Louis County'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*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because that provision was not applicable.

The results of our tests indicate that, for the items tested, St. Louis County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 06-3.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are reported for that purpose.

St. Louis County's written responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within St. Louis County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 21, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
St. Louis County

Compliance

We have audited the compliance of St. Louis County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. St. Louis County'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 County's management. Our responsibility is to express an opinion on the County'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 St. Louis County'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 County's compliance with those requirements.

In our opinion, St. Louis County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of St. Louis County 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 County'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 County'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 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, each major fund, and the aggregate remaining fund information of St. Louis County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2010. Our audit was performed for the purpose of forming opinions on St. Louis County's financial statements that collectively comprise the County's 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 and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 21, 2010

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 903,766
Passed Through Minnesota Department of Human Services Supplemental Nutritional Assistance Program (SNAP) Cluster State Administrative Matching Grants for SNAP	10.561	1,705,715
State Administrative Matching Grants for SNAP - ARRA	10.561	62,816
Passed Through Minnesota Department of Minnesota Management and Budget Schools and Roads - Grants to States	10.665	<u>1,950,085</u>
Total U.S. Department of Agriculture		<u>\$ 4,622,382</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	11.419	<u>\$ 21,986</u>
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants (CDBG)/Entitlement Grants Cluster CDBG Grants/Entitlement Grants	14.218	\$ 3,157,088
CDBG Grants/Entitlement Grants - ARRA	14.253	104,197
Emergency Shelter Grants Program	14.231	108,244
Home Investment Partnerships Program	14.239	1,075,187
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	<u>25,232</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 4,469,948</u>
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	<u>\$ 1,223,429</u>
U.S. Department of Justice		
Direct		
Supervised Visitation, Safe Haven for Children	16.527	\$ 139,095
Bulletproof Vest Partnership Program	16.607	15,528
Public Safety Partnership and Community Policing Grants	16.710	130,955
Passed Through Minnesota Department of Public Safety Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	1,025
Juvenile Accountability Block Grants	16.523	35,023
Edward Byrne Memorial Justice Assistance Grant Program	16.738	100,000

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Justice (Continued)		
Passed Through City of Chisholm		
Public Safety Partnership and Community Policing Grants	16.710	24,566
Passed Through City of Duluth		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16,600
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	<u>13,016</u>
Total U.S. Department of Justice		<u>\$ 475,808</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 5,181,283
Highway Planning and Construction - ARRA	20.205	3,028,225
Passed Through Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	30,177
Safety Belt Performance Grants	20.609	17,424
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	106,844
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>3,148</u>
Total U.S. Department of Transportation		<u>\$ 8,367,101</u>
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	<u>\$ 20,000</u>
U.S. Elections Assistance Commission		
Passed Through Secretary of State		
Help Americans Vote Act Requirements Payments	90.401	<u>\$ 13,746</u>
U.S. Department of Health and Human Services		
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board		
Public Health Emergency Preparedness	93.069	\$ 143,985
Immunization Grants	93.268	500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	187,033
Medical Assistance Program	93.778	192,410
Maternal and Child Health Services Block Grant to the States	93.994	247,550

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	46,768
Promoting Safe and Stable Families	93.556	206,584
Temporary Assistance for Needy Families	93.558	4,350,820
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	3,475,624
Child Support Enforcement - ARRA	93.563	438,136
Child Care and Development Cluster (CCDC)		
Child Care and Development Block Grant	93.575	102,286
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	210,089
Child Welfare Services - State Grants	93.645	103,114
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	1,104,442
Foster Care Title IV-E - ARRA	93.658	89,176
Social Services Block Grant	93.667	1,794,017
Chafee Foster Care Independence Program	93.674	50,000
Medical Assistance Program	93.778	4,431,407
Block Grants for Community Mental Health Services	93.958	77,076
		<u>\$ 17,251,017</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 29,612
Passed Through Minnesota Department of Public Safety		
Emergency Management Assistance Grant	97.042	69,250
Homeland Security Grant Program	97.067	660,947
		<u>\$ 759,809</u>
		<u>\$ 37,225,226</u>

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by St. Louis County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Louis County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of St. Louis County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Louis County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 37,201,825
Grants received more than 60 days after year-end, deferred in 2009	
Energy Efficiency and Conservation Block Grant Program - ARRA	20,000
Special Supplemental Nutrition Program for Women, Infants, and Children	64,998
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	3,251
Public Health Emergency Preparedness	6,151
Child Support Enforcement	131,100
Medical Assistance Program	43,129
Homeland Security Grant Program	24,491

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Deferred in 2008, recognized as revenue in 2009	
Special Programs for the Aging - Title III - Nutrition Services	(10,048)
Temporary Assistance for Needy Families	(49,591)
Foster Care Title IV-E	(1,781)
Medical Assistance Program	(222,045)
Grants previously recognized as revenue carried over several years	
Help Americans Vote Act Grant	13,746
	<u>13,746</u>
Total Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 37,225,226</u>

5. Subrecipients

Of the expenditures presented in the schedule, St. Louis County provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant/Entitlement Grants	\$ 810,961
14.239	HOME Investment Partnerships Program	846,887
	Total	<u>\$ 1,657,848</u>

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.