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, 2010

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, 2010

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 OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses unqualified opinions on the basic financial statements of St. Louis County.

B. Significant 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. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133." It was not a material weakness.

E. The Auditor's Report on Compliance for the major federal award programs for St. Louis County expresses an unqualified opinion.

F. A finding relative to a major federal award program for St. Louis County was reported as required by Section 510(a) of OMB Circular A-133.

G. The major programs are:

Northeastern Minnesota Environmental Infrastructure (Section 569) - ARRA	CFDA #12.120
Community Development Block Grants (CDBG)/ Entitlement Grants Cluster	
CDBG/Entitlement Grants	CFDA #14.218
CDBG/Entitlement Grants - ARRA	CFDA #14.253
Homelessness Prevention and Rapid Re-Housing Program - ARRA	CFDA #14.257
Payments in Lieu of Taxes	CFDA #15.226

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Capital Assistance to States - Intercity Passenger Rail Service	CFDA #20.317
Port Security Grant Program - ARRA	CFDA #97.116

H. The threshold for distinguishing between Types A and B programs was $1,068,001.

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. We also send out quarterly e-mails to the department heads of internal control areas we feel they should review and offer the Auditor's Office staff to assist in the review.

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 2 instances in which the time sheets did not have the proper signatures. In our current audit, we again reviewed a sample of 40 time sheets for proper signatures and noted 2 deviations. In the first instance, a Public Health and Human Services worker's time sheet was not signed by the supervisor. In the second instance, we detected a time sheet from the Environmental Services Department in which the supervisor signed for the employee, as the employee was not available to complete the time sheet.

The signatures of the employee and supervisor attest to their agreement in hours being claimed as worked. This is considered a significant internal control procedure. Requiring two attesting signatures greatly reduces the potential for both error and manipulation of hours claimed as worked to occur. County policy requires that both the employee and his or her direct supervisor sign the time sheets to provide assurance that the hours being reported are legitimate. The County should develop a written policy to support supervisory personnel actions necessary to complete an employee's time reporting in situations when an employee is unavailable, such as due to an extended illness.

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. We also recommend the County develop a written policy that identifies time reporting procedures to be followed when employees are unavailable for extended periods of time.

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 timesheets have been reviewed and signed by a supervisor.

Once we implement a new time and scheduling system we will require an electronic approval by the supervisor before the timesheet can be submitted.

The Auditor's Office will also create a policy that specifies who needs to sign the timesheet when an employee is unable to sign the timesheet due to extended leaves.

ITEM ARISING THIS YEAR

10-1 Purchasing Card Internal Controls

Our tests of internal controls over credit card (P-Card) purchases detected an instance in which a person formerly employed by St. Louis County in Environmental Services was still in possession of an active P-Card. Although no purchases had been made by the employee since the date of termination, the internal controls designed to cancel the P-Card had failed in this instance.

Internal controls established by the County require supervisors to inform the P-Card administrator immediately upon termination of an employee in possession of a P-Card, and to take possession of the card. The administrator will then deactivate that account. Although the County has established stringent internal control procedures over P-Card issuance and use, it is the supervisor's responsibility in each department to ensure timely reporting of employee terminations to the P-Card administrator in order to deactivate P-Card accounts as quickly as possible.

We recommend that the County Auditor take the necessary steps to ensure that supervisory personnel are aware of their responsibility for reporting terminated employees to the P-Card administrator in a timely fashion and ensure the internal control procedures established over P-Card purchasing are being followed. Procedures should also include providing immediate notification to the Employee Relations Department and to the Accounts Payable Department to ensure that unauthorized charges will not be paid.

Client's Response:

The Auditor's Office has reviewed the procedures and will be discussing potential changes with applicable departments.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

10-2 Federal Program Identification - Port Security Program - American Recovery and Reinvestment Act of 2009 (ARRA) (CFDA #97.116); Port Security Grant Program (CFDA #97.056; Community Development Block Grants (CDBG)/Entitlement Grants (CFDA #14.218); and CDBG/Entitlement Grants - ARRA (CFDA #14.253)

Our review of federal financial assistance resulted in reclassifications between several federal programs. For the Port Security Grant Program - ARRA (CFDA #97.116), a reclassification of $119,280 was made to the non-ARRA Port Security Grant Program

(CFDA #97.056) and another $37,277 reclassified to local matching funds. In another instance, $36,787 was reclassified from the CDBG/Entitlement Grants program (CFDA #14.218) to the CDBG/Entitlement Grants - ARRA program (CFDA #14.253). These reclassifications were necessary to correctly report both programs on the Schedule of Expenditures of Federal Awards (SEFA).

The County has adequate internal controls over receipting and disbursing to help ensure all transactions of the County are properly reported in the accounting records. Transactions are coded to their proper source or object by authorized staff. Miscoding was the result of human error in recording federal reimbursements due to the similar nature of the programs involved. Subrecipients of federal funds should record normal federal grant funding separately in their accounting records from programs funded through ARRA sources. Because of the transparency requirements for ARRA-funded programs, these funds received must be correctly identified in the SEFA and in the Data Collection Form separately from other federal programs. Local matches should not be included in amounts reported on the SEFA.

We recommend that the County Auditor review current procedures for identification and coding of federal financial assistance. Federal grant-related transactions should be coded separately in the accounting records. If it is unclear as to the source/program of the grant funds, the grantor agency should be contacted to ensure correct reporting. Further procedures should be implemented where determined necessary to ensure federal grant programs are properly coded in the County's accounting records and properly reported on the SEFA and Data Collection Form.

Corrective Action Plan:

Contact Person(s):

Cristen Christensen and William Whiteside

Corrective Action Plan:

The Auditor's Office has requested a report from the State of Minnesota to show all the payments made and whether or not they are state or federal. We will cross reference that report with the coding we used when posting the payment to ensure all payments are correctly coded. We will also run a report to show all direct payments made to the county to ensure that those payments are correctly coded as well.

Anticipated Completion Date:

Will be done monthly with a final year end reconciliation.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Claims Declaration (06-3)

County checks did not include the declaration statement provided for in Minn. Stat. § 471.391, subd. 2.

Resolution

In 2010, the County purchased a new supply of checks that contained the required declaration.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

10-3 Forfeited Tax Fund Apportionment

The 2010 Forfeited Tax Special Revenue Fund apportionment required under Minn. Stat. § 282.08 was not made using the concurrent method prescribed in an interpretation by the Minnesota Department of Revenue. This interpretation of the statute is included in the update of Section 6765 of the Delinquent Tax & Tax Forfeiture Manual.

Under the concurrent method, the 30 percent for forest development and 20 percent for parks and recreation should be calculated concurrently, in one step, rather than consecutively, in two steps, as was done. The difference between the two methods affects the amounts that can be set aside for parks and recreation and how much of the balance remaining is available for distribution. Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school districts, 40 percent.

We recommend that for future forfeited tax apportionments, the County follow the interpretation of the Minnesota Department of Revenue and use the concurrent method prescribed.

Client's Response:

The Auditor's Office will use the concurrent method from now on. Even though the wrong method was used in 2010 the maximum percentages were not used so the apportionment was within the legal restrictions.

PREVIOUSLY REPORTED ITEM RESOLVED

Custodial Credit Risk (09-1)

The County did not have an investment policy for custodial credit risk.

Resolution

The County revised its investment policy to address custodial credit risk.

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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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 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 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, 06-2, and 10-1, 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 Political Subdivisions*, 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 Political Subdivisions* 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.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

St. Louis County's written responses to the internal control 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

June 17, 2011

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

Board of County Commissioners
St. Louis County

Compliance

We have audited St. Louis County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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. 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 of 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 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 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 10-2. A significant deficiency in internal control over compliance is a deficiency, or 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.

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, 2010, and have issued our report thereon dated June 17, 2011. 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 (SEFA) 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. The SEFA 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 SEFA 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 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 SEFA is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

St. Louis County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

June 17, 2011

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ST. LOUIS COUNTY
DULUTH, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Agriculture			
Direct			
Wildland Fire Management - ARRA	10.688	$	37,475
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		793,509
Passed Through Minnesota Department of Human Services			
Supplemental Nutritional Assistance Program (SNAP) Cluster			
State Administrative Matching Grants for SNAP	10.561		1,943,782
State Administrative Matching Grants for SNAP - ARRA	10.561		61,738
Passed Through Minnesota Department of Finance			
Schools and Roads - Grants to States	10.665		1,930,753
Total U.S. Department of Agriculture		**$**	**4,767,257**
U.S. Department of Commerce			
Passed Through Minnesota Department of Natural Resources			
Coastal Zone Management Administration Awards	11.419	$	39,691
Passed Through Itasca County			
Public Safety Interoperable Communications Grant Program	11.555		8,721
Total U.S. Department of Commerce		**$**	**48,412**
U.S. Department of Defense			
Direct			
Northeastern Minnesota Environmental Infrastructure (Section 569) - ARRA	12.120	**$**	**104,650**
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants (CDBG)/Entitlement Grants Cluster			
CDBG/Entitlement Grants	14.218	$	1,807,174
CDBG/Entitlement Grants - ARRA	14.253		550,663
Emergency Shelter Grants Program	14.231		82,698
Home Investment Partnerships Program	14.239		533,193
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257		429,887
Total U.S. Department of Housing and Urban Development		**$**	**3,403,615**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226	**$**	**1,006,409**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

ST. LOUIS COUNTY
DULUTH, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Justice			
Direct			
Supervised Visitation, Safe Haven for Children	16.527	$	233,516
Bulletproof Vest Partnership Program	16.607		7,232
Public Safety Partnership and Community Policing Grants	16.710		168,920
Passed Through Minnesota Department of Public Safety			
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004		2,230
Juvenile Accountability Block Grants	16.523		32,483
Enforcing Underage Drinking Laws	16.727		1,650
Passed Through City of Chisholm			
Public Safety Partnership and Community Policing Grants	16.710		79,715
Passed Through City of Duluth			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2,690
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA	16.804		56,720
Total U.S. Department of Justice		**$**	**585,156**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	$	5,237,517
Highway Planning and Construction - ARRA	20.205		750,138
Capital Assistance to States - Intercity Passenger Rail Service	20.317		529,347
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600		64,425
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		124,943
Safety Belt Performance Grants	20.609		31,933
Total U.S. Department of Transportation		**$**	**6,738,303**
U.S. Department of Energy			
Direct			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	**$**	**48,966**
U.S. Elections Assistance Commission			
Passed Through Minnesota Secretary of State			
Help America Vote Act Requirements Payments	90.401	**$**	**19,106**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

ST. LOUIS COUNTY
DULUTH, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
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	$	87,283
Immunization Grants	93.268		1,500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		162,664
Temporary Assistance for Needy Families	93.558		343,551
Medical Assistance Program	93.778		593,182
Maternal and Child Health Services Block Grant to the States	93.994		250,813
Passed Through Minnesota Department of Human Services			
Projects for Assistance in Transition from Homelessness (PATH)	93.150		68,619
Promoting Safe and Stable Families	93.556		151,434
Temporary Assistance for Needy Families	93.558		4,137,251
Child Support Enforcement Cluster			
Child Support Enforcement	93.563		3,468,431
Child Support Enforcement - ARRA	93.563		270,164
Child Care and Development Cluster			
Child Care and Development Block Grant	93.575		157,520
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		174,110
Child Welfare Services - State Grants	93.645		22,792
Foster Care Title IV-E	93.658		1,072,742
Social Services Block Grant	93.667		1,791,109
Chafee Foster Care Independence Program	93.674		50,000
Children's Health Insurance Program	93.767		1,845
Medical Assistance Program	93.778		4,390,013
Block Grants for Community Mental Health Services	93.958		92,148
Total U.S. Department of Health and Human Services		**$**	**17,287,171**
U.S. Department of Homeland Security			
Direct			
Port Security Grant Program	97.056	$	119,280
Port Security Grant Program - ARRA	97.116		98,000
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012		45,125
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant	97.039		304,956
Emergency Management Performance Grants	97.042		81,734
Homeland Security Grant Program	97.067		941,889
Total U.S. Department of National Homeland Security		**$**	**1,590,984**
Total Federal Awards		**$**	**35,600,029**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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ST. LOUIS COUNTY
DULUTH, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. 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	$	35,527,251
Grants received more than 60 days after year-end, deferred in 2010		
Wildland Fire Management - ARRA		11,225
Special Supplemental Nutrition Program for Women, Infants, and Children		24,773
Coastal Zone Management Administration Awards		24,713
Public Safety Partnership and Community Policing Grants		24,095
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments - ARRA		26,128
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA		9,019
Public Health Emergency Preparedness		175
Centers for Disease Control and Prevention - Investigations and Technical Assistance		23,432

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Medical Assistance Program	79,636
Temporary Assistance for Needy Families	21,881
Child Care and Development Block Grant	5,258
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	14,510
Foster Care Title IV-E	4,613
Hazard Mitigation Grant	12,686
Homeland Security Grant Program	64,649
Deferred in 2009, recognized as revenue in 2010	
Special Supplemental Nutrition Program for Women, Infants, and Children	(64,999)
State Administrative Matching Grants for SNAP	(3,251)
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	(20,000)
Public Health Emergency Preparedness	(6,151)
Medical Assistance Program	(43,129)
Child Support Enforcement	(131,100)
Homeland Security Grant Program	(24,491)
Grants received previously recognized as revenue carried over several years	
Help America Vote Act Requirements Payments	19,106
Total Expenditures Per Schedule of Expenditures of Federal Awards	$ 35,600,029

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	$ 374,136
14.239	Home Investment Partnerships Program	324,412
	Total	$ 698,548

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.