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, 2011

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, 2011

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, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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 Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Wildland Fire Management - ARRA	CFDA #10.688
Northeastern Minnesota Environmental Infrastructure (Section 569) - ARRA	CFDA #12.120
Community Development Block Grants/Entitlement Grants	CFDA #14.218
Energy Efficiency and Conservation Block Grant Program - ARRA	CFDA #81.128
Temporary Assistance for Needy Families	CFDA #93.558
Social Services Block Grant	CFDA #93.667
Emergency Contingency Fund for TANF - ARRA	CFDA #93.714
Medical Assistance	CFDA #93.778

The threshold for distinguishing between Types A and B programs was $1,087,024.

St. Louis County qualified as low-risk auditee? **Yes**

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

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: Due to the limited number of office personnel within various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible.

Context: Because of the small size of some of the departments in St. Louis County, the internal control that management can design and implement into these departments is limited.

Effect: Without proper segregation of duties, an opportunity is created for errors or fraudulent activities to occur and remain undetected.

Cause: This condition is not unusual in small departmental situations where staffing limitations can result in improper segregation of duties.

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the County Board of Commissioners be mindful that limited staffing causes inherent risks in safeguarding the County's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

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

Criteria: County policy requires employees to sign their time reports attesting to their time claimed as worked as legitimate. A supervisor's signature on a County employee's time report testifies to their approval of the hours reported as worked.

Condition: Departmental supervisor's time reports are not being approved by another level of management.

Context: To test internal controls over payroll transactions, we selected a sample of 40 payroll transactions from a population of all 2011 payroll transactions. Tests performed detected one instance in which a supervisor's time report did not have any evidence of approval by another level of management.

Effect: Noncompliance with County policy requiring approval of employee time reports. This situation creates an opportunity for filing false time reports.

Cause: The County has not determined an adequate procedure that would be an effective internal control for approval of supervisory time reports after reaching a certain level of management in the organization.

Recommendation: We recommend that, if management determines that obtaining another level of approval of supervisory time reports would not be considered an effective procedure, management should review current payroll procedures and determine if any existing procedures are also effective in mitigating any risk exposure resulting from the lack of approval of supervisory time reports.

Client's Response:

The Auditor's Office has requested an opinion on this issue from the County Attorney and will update the policy to reflect the Attorney's opinion on this issue.

10-1 Purchasing Card Internal Controls

Criteria: St. Louis County has established internal controls over the issuance and use of County purchasing cards (P-Cards). A basic internal control established by the County requires an employee to inform the P-Card administrator and issuing bank of the need to cancel the card two weeks in advance of termination of service. The employee's supervisor is required to take possession of the card and return it to the P-Card administrator. The administrator will then deactivate that account.

Condition: During our review of internal controls over P-Card purchases, we became aware of an instance in which a person formerly employed by St. Louis County was still in possession of an active P-card. The P-Card administrator was unaware of the situation until the former employee mistakenly used it on an unauthorized purchase.

Context: St. Louis County issues purchasing cards (P-Cards) to designated staff for the purpose of making minor purchases and paying recurring bills. County policy identifies the types of purchases allowed and documentation required to support the purchase. Cardholders have authorized limits based on the requirements of their job assignments. A purchasing card administrator oversees the issuance and cancellation of active cards. An employee's supervisor is responsible for recovery of the purchasing card prior to the employee's separation from service. Although the County has developed internal control procedures over P-card issuance and use that require an employee to notify the P-Card administrator of their termination of service date, the employee's supervisor should also report potential employee separations from service to the P-Card administrator in order to insure prompt deactivation of P-Card accounts.

Effect: In this instance, internal controls designed to cancel and recover the P-Card had failed, as the employee's supervisor did not collect the card from the employee before leaving County service; nor was the P-Card administrator notified of the need to deactivate the account. Although the former employee notified the County of the error and cancelled the transaction, without following proper established procedures, an opportunity exists for errors and fraudulent activity to occur.

Cause: Failure to follow established internal control procedures operating over deactivation and recovery of P-Cards held by employees terminating service. Internal controls over purchasing card transactions and custody should be enforced according to County policy.

Recommendation: We recommend that the County Auditor take the necessary steps to ensure that all personnel understand their responsibilities related to the P-Card program. Supervisors should collect P-Cards before an employee terminates service. They should also report potential employee separation from service to the P-Card administrator in a timely fashion so the account can be deactivated. This will ensure the internal control procedures established over P-Card purchasing transactions are understood and being followed as intended. Procedures should also include providing immediate notification to the Employee Relations and Accounts Payable Departments 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

11-1 Cash Management

Program: Wildland Fire Management - ARRA (CFDA No. 10.688)

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs. The OMB Circular A-133 Compliance Supplement 2011, Part 3, C. Cash Management states that when entities are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

Condition: There were two reimbursement requests made in 2011. We reviewed a sample of expenditures charged to the program to ensure they were paid prior to these requests for reimbursement. We noted two vendor invoices were paid 21 days after the reimbursement request, one paid 8 days after the request, and three paid 5 days after the request.

Questioned Costs: None.

Context: This is a closed ARRA grant directly funded by the Department of Agriculture.

Effect: Noncompliance with federal cash management requirements.

Cause: Policies and procedures have not been established to adequately ensure that expenditures are paid prior to the request for reimbursement.

Recommendation: We recommend the County establish and implement policies and procedures to provide reasonable assurance that expenditures are paid prior to the time the request for reimbursement occurs.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Cristen Christensen

Corrective Action Planned:

The Auditor's Office is currently revising the Grant Administration Policy to provide better guidance to our grant administrators, and to ensure a stronger monitoring system. The revision will include clarification and guidance on identifying cash management requirements of individual grants as well as proper draw down procedures.

Anticipated Completion Date:

To be implemented before the end of 2012 fiscal year.

PREVIOUSLY REPORTED ITEM RESOLVED

Federal Program Identification - Port Security Program - American Recovery and Reinvestment Act of 2009 (ARRA) (CFDA No. 97.116), Port Security Grant Program (CFDA No. 97.056), Community Development Block Grants (CDBG)/Entitlement Grants (CFDA No. 14.218), and CDBG/Entitlement Grants - ARRA (CFDA No. 14.253) (10-2)

Federal Port Security grant funds (CFDA No. 97.056) were misclassified to the federal Port Security Grant - ARRA program (CFDA No. 97.116). CDBG - ARRA (CFDA No. 14.253) funds were misclassified to the non-ARRA CDBG program (CFDA No. 14.218).

Resolution

No federal ARRA funds were received in 2011 for either of these programs. All 2011 transactions were properly recorded to the correct federal program.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

11-2 Wells Fargo Bank Depository Pledge Agreement

Criteria: Minnesota Stat. § 118A.03, subd. 4, requires that a collateral assignment provide, upon default, that a depository shall release collateral pledged to the government entity on demand.

Condition: The depository pledge agreement received from Wells Fargo Bank, NA, requires that upon default, "Pledgee may instruct the custodian to dispose of the collateral in accordance with the provisions of the Custody Agreement, but only after the Pledgee has provided the Pledgor written notice of the Event of Default and after 3 business days of such notice to cure the Event of Default."

Context: The depository pledge agreement assigning collateral to cover St. Louis County deposits in excess of FDIC insurance does not comply with Minn. Stat. § 118A.03, subd. 4. The County must be able to recover collateral upon demand. A new agreement conforming to the Minnesota statute must be obtained to comply.

Effect: Defective depository pledge agreement that does not conform to the requirements of Minn. Stat. § 118A.03, subd. 4.

Cause: Noncompliance by Wells Fargo Bank, NA with Minn. Stat. § 118A.03, subd. 4.

Recommendation: We recommend that the St. Louis County Auditor's Office request a new depository pledge agreement from Wells Fargo Bank, NA, that conforms to Minn. Stat. § 118A.03, subd. 4.

Client's Response:

The Auditor's Office will have Wells Fargo update the pledge agreement to be in compliance with Minnesota Statute § 118A.03.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Forfeited Tax Fund Apportionment (10-3)

We recommended St. Louis County use the concurrent method recommended by the Minnesota Department of Revenue for the apportionment of forfeited tax funds.

Resolution

In 2011, St. Louis County used the concurrent method in apportioning forfeited tax funds.

STATE OF MINNESOTA
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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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2012. 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.

<u>Internal Control Over Financial Reporting</u>

Management of St. Louis County is responsible for establishing and maintaining effective 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, except as described in the Schedule of Findings and Questioned Costs as item 11-2.

St. Louis County's written responses to the internal control and legal compliance 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 27, 2012

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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, 2011. 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 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 11-1.

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 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. 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 11-1. 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, 2011, and have issued our report thereon dated June 27, 2012. Our audit was performed for the purpose of forming opinions on the 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 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

June 27, 2012

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ST. LOUIS COUNTY
DULUTH, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Agriculture			
Direct			
Cooperative Forestry Assistance	10.664	$	18,250
Wildland Fire Management - ARRA	10.688		127,716
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		779,098
Passed Through Minnesota Department of Human Services			
Supplemental Nutritional Assistance Program - State Administrative Matching Grants	10.561		1,578,939
Passed Through Minnesota Department of Finance			
Schools and Roads - Grants to States	10.665		2,051,416
Total U.S. Department of Agriculture		**$**	**4,555,419**
U.S. Department of Defense			
Direct			
Northeastern Minnesota Environmental Infrastructure (Section 569) - ARRA	12.120	**$**	**680,644**
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants	14.218	$	2,791,387
Emergency Shelter Grants Program	14.231		102,369
Home Investment Partnerships Program	14.239		799,981
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257		451,830
Total U.S. Department of Housing and Urban Development		**$**	**4,145,567**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226	**$**	**235,942**

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, 2011
(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	$	130,337
Bulletproof Vest Partnership Program	16.607		9,779
Public Safety Partnership and Community Policing Grants	16.710		349,826
Passed Through Minnesota Institute of Public Health			
Enforcing Underage Drinking Laws	16.727		3,060
Passed Through City of Chisholm			
Public Safety Partnership and Community Policing Grants	16.710		89,128
Passed Through City of Duluth			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		17,500
Total U.S. Department of Justice		**$**	**599,630**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	$	6,539,653
Highway Planning and Construction - ARRA	20.205		406,298
Capital Assistance to States - Intercity Passenger Rail Service	20.317		340,316
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600		11,900
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		30,921
Safety Belt Performance Grants	20.609		34,078
Total U.S. Department of Transportation		**$**	**7,363,166**
U.S. Department of Energy			
Direct			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	$	398,834
Passed Through Minnesota Department of Commerce			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128		75,000
Total U.S. Department of Energy		**$**	**473,834**

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, 2011
(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	$	90,254
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		120,455
Temporary Assistance for Needy Families (TANF)	93.558		343,551
Medical Assistance Program	93.778		148,111
Maternal and Child Health Services Block Grant to the States	93.994		252,269
Passed Through Minnesota Department of Human Services			
Projects for Assistance in Transition from Homelessness (PATH)	93.150		69,215
Promoting Safe and Stable Families	93.556		280,388
Temporary Assistance for Needy Families	93.558		3,408,627
Child Support Enforcement	93.563		3,617,489
Child Care and Development Cluster			
Child Care and Development Block Grant	93.575		49,471
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		101,686
Foster Care Title IV-E Cluster			
Foster Care Title IV-E	93.658		1,132,779
Foster Care Title IV-E - ARRA	93.658		15,021
Social Services Block Grant	93.667		1,785,485
Chafee Foster Care Independence Program	93.674		50,000
Emergency Contingency Fund for TANF - ARRA	93.714		40,122
Medical Assistance Program	93.778		4,760,068
Block Grants for Community Mental Health Services	93.958		25,016
Total U.S. Department of Health and Human Services		**$**	**16,290,007**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety	97.012	$	29,540
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant	97.039		55,789
Pre-Disaster Mitigation	97.047		328
Port Security	97.056		726,417
Homeland Security Grant Program	97.067		1,077,858
Total U.S. Department of National Homeland Security		**$**	**1,889,932**
Total Federal Awards		**$**	**36,234,141**

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ST. LOUIS COUNTY
DULUTH, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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. Subrecipients

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant/Entitlement Grants	$ 2,479,001
14.239	HOME Investment Partnerships Program	754,210
	Total	$ 3,233,211

5. 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.

6. Reconciliation of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 36,038,006
Grants received more than 60 days after year-end, deferred in 2011	
Cooperative Forestry Assistance	18,255
Special Supplemental Nutrition Program for Women, Infants, and Children	21,994
Supervised Visitation, Safe Haven for Children	7,069
Public Safety Partnership and Community Policing Grants	138,160
Highway Planning and Construction	418,643
Highway Planning and Construction - ARRA	18,103
Energy Efficiency and Conservation Block Grant Program - ARRA	8,603
Medical Assistance Program	117,029
Hazard Mitigation Grant	4,000
Pre-Disaster Mitigation	328
Port Security	233,391
Homeland Security Grant Program	3,301
Deferred in 2010 recognized as revenue in 2011	
Wildland Fire Management - ARRA	(11,225)
Special Supplemental Nutrition Program for Women, Infants, and Children	(24,773)
Coastal Zone Management Administration Awards	(24,500)
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments - ARRA	(26,128)
Highway Planning and Construction	(399,090)
Highway Planning and Construction - ARRA	(40,028)
Capital Assistance to States - Intercity Passenger Rail Service	(32,918)
Energy Efficiency and Conservation Block Grant Program - ARRA	(9,019)
Public Health Emergency Preparedness	(175)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	(23,432)
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	(62,869)
Total Expenditures Per Schedule of Expenditures of Federal Awards	$ 36,234,141

7. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	$	6,945,951
Highway Safety Cluster		76,899
Child Care and Development Cluster		151,157
Foster Care Title IV-E Cluster		1,147,800
Temporary Assistance for Needy Families Cluster		3,792,300