

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, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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, 2006



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, 2006

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*." One of the significant deficiencies is a material weakness.
- 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:

Highway Planning and Construction	CFDA #20.205
Help America Vote Act Grant	CFDA #90.401
Temporary Assistance for Needy Families (TANF)	CFDA #93.558
Homeland Security Cluster	
State Domestic Preparedness Equipment Support	CFDA #97.004
Homeland Security Grant Program	CFDA #97.067
- H. The threshold for distinguishing between Types A and B programs was \$656,145.
- I. St. Louis County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM 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 contact the departments involved to assist them in implementing procedures that will help ensure segregation of duties where possible.

ITEMS ARISING THIS YEAR

06-1 Audit Adjustments and Restatements

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements of the financial statements on a timely basis. Control deficiencies that typically are considered significant include the restatement of previously issued financial statements to reflect the correction of a material misstatement and the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the County's internal controls.

The January 1, 2006, balances were restated for an over accrual of revenue in the prior year. The County made an adjustment for a write-off of Medical Assistance program receivables, and the auditors proposed, and the County made, a prior period adjustment related to forfeited tax sale revenues recognized on the government-wide statements that are due to other entities.

During our audit, we proposed several material adjustments that resulted in significant changes to the County's financial statements. These adjustments were for revenues not deferred in accordance with the County's period of availability criteria, capital outlay expenditures that were not capitalized by the County, and a write-off of receivables based on 2007 activity.

We recommend that the County Auditor's Office perform a further review of receivables for future audits to determine that revenues are deferred in accordance with the County's period of availability criteria and that receivables are collectible based on subsequent activity and knowledge. We also recommend that the County Auditor's Office perform a further review of significant capital-related expenditures to determine proper capitalization.

Client's Response:

The County will post any grant-related activities at year-end as receivables and deferred revenue. When the receivable is received, deferred revenue will be reduced and revenue increased.

The Auditor's Office will make sure that it reviews one-time capital grants to determine capitalization.

06-2 Time Sheet Approval

During our audit, 25 payroll transactions were selected for testing. One of the tests performed was a review of employee time sheets for proper approval in accordance with County policy. County policy requires that time sheets be signed by both the employee and their direct supervisor. Of the 25 transactions tested, 7 did not have proper signatures. In some cases, one of the signatures was missing, while in others there were no signatures. Proper review of employee time sheets is designed to provide assurance that employees are being compensated for hours actually worked. By signing time sheets, employees and supervisors are stating that they are in agreement with the hours being reported. Without proper time sheet review, there is the potential for employees to misstate the number of hours worked and be compensated beyond the number of hours that they are entitled to.

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

Client's Response:

The Auditor's Office will contact all the departments that lacked proper signatures about submitting time sheets in accordance with the County's policy.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

06-3 Claim Declaration

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

Minn. Stat. § 471.38 requires a signed declaration by the claimant that the claim is just and correct and that no part of it has been paid and allows the declaration to be imprinted on the reverse side of the check. Minn. Stat. § 471.391 specifies the declaration form and includes a provision that specifies the declaration statement that may be imprinted on the reverse side of the check. Upon endorsement, the check satisfies the declaration requirement.

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

Client's Response:

The County will comply with this recommendation; however, we believe this statute is archaic given the way technology has changed procedures for processing checks.

06-4 Insufficient Collateral to Secure Deposits

Minn. Stat. § 118A.03, subd. 3, requires the total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit in excess of FDIC insurance. Even though collateral was pledged at December 31, 2006, the collateral pledged by US Bank was insufficient to comply with the statute. The uncollateralized balance at US Bank as of December 31, 2006, was \$3,324,330. It was noted that the additional collateral was obtained on January 3, 2007.

We recommend that the County Auditor's Office monitor daily bank deposits and obtain collateral on a timely basis to comply with the statute.

Client's Response:

The County Auditor's Office will monitor daily bank deposits and obtain collateral on a timely basis.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-27 Management Information Systems (MIS) Department

Our review of the various MIS Department operations disclosed that its disaster recovery plan has some deficiencies. Items missing from the plan include: off-site storage of the written plan, specific recovery procedures, critical applications/user contingency report, and a formalized alternative site processing agreement. To effectively deal with a disaster affecting computer operations, the County must have a complete, detailed plan in place.

We recommend the MIS Director review the disaster recovery plan and expand it to address the noted deficiencies.

Client's Response:

The MIS Department is continuing to work on the disaster recovery plan. Equipment is being purchased. MIS is negotiating for a disaster recovery site and bandwidth to the proposed site. Once completed, a copy of the plan will be placed in off-site storage in the Duluth Courthouse and in the MIS offices in the Northland Office Building in Virginia, Minnesota.

PREVIOUSLY REPORTED ITEMS RESOLVED

Internal Audit Function (05-1)

The County did not establish the necessary resolutions, policies, and procedures that would document and allow for the assessment of the Internal Auditor's competence and objectivity.

Resolution

The County revised its conflict of interest policy to reflect conflicts that involve the Internal Auditor and the County Auditor. However, the Internal Auditor still reports to the County Auditor, the Internal Auditor has not joined the Institute of Internal Auditors, and an audit committee has not been established. The Office of the State Auditor, as external auditor, has communicated our concerns to the County regarding our ability to rely on the Internal Auditor's work. It is ultimately the County's decision as to how it wants the Internal Audit function to operate within its organizational structure. We will continue to evaluate on an annual basis the competence and objectivity of the Internal Auditor and whether we can rely on the Internal Auditor's work.

Chris Jensen Nursing Home Interfund Payable (05-2)

The County was reporting an interfund loan, instead of a transfer, for a long-term deficit cash loan to the Chris Jensen Nursing Home Enterprise Fund.

Resolution

The County made a permanent transfer as of December 31, 2006, eliminating the interfund loan used to finance Chris Jensen Nursing Home Enterprise Fund's deficit cash balance.

Infrastructure (05-3)

The County's useful life for infrastructure capital assets did not reflect the actual useful life based on the mileage of construction each year.

Resolution

The County reviewed its useful life for infrastructure and began using 55 years for infrastructure based on the amount of mileage constructed each year.

Medical Assistance Program Billings (05-4)

The County's receivable balance had been increasing substantially for several years, and the collectibility of some of the receivables was in question.

Resolution

The County wrote off approximately \$660,000 in receivables.



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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, 2006, and have issued our report thereon dated June 21, 2007. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-10, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-1 to be a material weakness.

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 six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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 items 06-3 and 06-4.

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

St. Louis County's written response to the significant deficiencies, material weaknesses, and legal compliance findings identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements 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, 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, 2007

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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, 2006. The 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, 2006.

Internal Control Over Compliance

The 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, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 2006, and have issued our report thereon dated June 21, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise St. Louis 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, 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

June 21, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
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	\$ 502,044	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program		10.561	106,478	-
Passed Through Minnesota Department of Finance Schools and Roads - Grants to States		10.665	141,767	-
Superior National Forest Lands		10.668	<u>510,000</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 1,260,289</u>	<u>\$ -</u>
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration		11.419	<u>\$ 90,561</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Direct				
Community Development Block Grants - Entitlement Grants		14.218	\$ 2,728,725	\$ 2,285,871
Emergency Shelter Grants Program		14.231	85,860	-
HOME Investment Partnership Program		14.239	<u>1,319,784</u>	<u>1,243,691</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 4,134,369</u>	<u>\$ 3,529,562</u>
U.S. Department of the Interior				
Direct				
Payments in Lieu of Taxes		15.226	<u>\$ 685,773</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct				
Bullet Proof Vest Partnership Program		16.607	\$ 15,356	\$ -
Public Safety Partnership and Community Policing Grants		16.710	250,648	-
Passed Through the City of Duluth Edward Byrne Memorial Justice Assistance Grant Program		16.738	17,624	-
Passed Through Minnesota Department of Public Safety Byrne Formula Grant Program		16.579	50,000	-
Edward Byrne Memorial Justice Assistance Grant Program		16.738	<u>50,000</u>	<u>-</u>
Total U.S. Department of Justice			<u>\$ 383,628</u>	<u>\$ -</u>

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction		20.205	\$ 3,910,597	\$ -
Passed Through Minnesota Department of Public Safety State and Community Highway Safety		20.600	9,645	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		20.601	<u>31,302</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 3,951,544</u>	<u>\$ -</u>
U.S. Environmental Protection Agency				
Passed Through Minnesota Department of Health State Indoor Radon Grants		66.032	\$ 6,271	\$ -
Passed Through Minnesota Pollution Control Agency Great Lakes Program		66.469	<u>7,390</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>\$ 13,661</u>	<u>\$ -</u>
U.S. Elections Assistance Commission				
Passed Through Secretary of State Help Americans Vote Act Grant		90.401	<u>\$ 1,028,006</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Passed Through Arrowhead Regional Development Commission Special Programs for the Aging - Title III - Nutrition Services		93.045	\$ 109,342	\$ -
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness		93.150	66,439	-
Promoting Safe and Stable Families		93.556	225,614	-
Temporary Assistance for Needy Families (TANF)		93.558	3,647,315	-
Child Care and Development Block Grant		93.575	318,550	-
Child Welfare Services - State Grants		93.645	8,210	-
Foster Care Title IV-E		93.658	437,893	-
Social Services Block Grant		93.667	1,818,512	-
Chafee Foster Care Independence Program		93.674	14,628	-
Block Grants for Community Mental Health Services		93.958	41,782	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	64,101	-
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board Centers for Disease Control and Prevention - Investigations and Technical Assistance	H12-A80408	93.283	227,203	-
Temporary Assistance for Needy Families (TANF)		93.558	176,576	-
Maternal and Child Health Services Block Grant to States		93.994	<u>244,712</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>\$ 7,400,877</u>	<u>\$ -</u>

**ST. LOUIS COUNTY
DULUTH, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety		97.012	\$ 166,043	\$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Assistance Grant		97.042	46,462	-
Domestic Preparedness Equipment Support - cluster		97.004	150,692	-
Homeland Security Grant Program - cluster	SHSP-00540	97.067	<u>2,559,603</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ 2,922,800	\$ -
Total Federal Awards			\$ 21,871,508	\$ 3,529,562

Notes to Schedule of Expenditures of Federal Awards

- (1) The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by St. Louis County. The County's reporting entity is defined in Note 1 to the financial statements.
- (2) The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule do not equal federal revenues reported in the financial statements. In 2006, \$610,292 of current year federal expenditure reimbursements were not recognized as revenues because they were not received with the period of availability. In addition, \$270,923 of current year federal revenues for CFDA No. 90.401 were not recognized as expenditures because they had not been spent by year-end.
- (3) Pass-through grant numbers are provided if available.