

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

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 150 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 650 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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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

Year Ended December 31, 2016



Management and Compliance Report

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

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**CITY OF SAINT PAUL
SAINT PAUL, 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*

Independent Auditor's Report

The Honorable Christopher B. Coleman, Mayor,
and Members of the City Council
City of Saint Paul, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2017. Our report includes a reference to other auditors who audited the financial statements of the Penfield Apartments, the Saint Paul RiverCentre Convention and Visitors Authority, and the Port Authority of the City of Saint Paul, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Saint Paul RiverCentre Convention and Visitors Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Saint Paul's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saint Paul's financial statements are free from 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

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the City's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Saint Paul failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Questioned Costs as item 2016-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City of Saint Paul's Response to Findings

The City of Saint Paul's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 20, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

The Honorable Christopher B. Coleman, Mayor,
and Members of the City Council
City of Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Saint Paul's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City of Saint Paul's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Saint Paul's basic financial statements include the operations of the Port Authority of the City of Saint Paul component unit, which expended \$6,609,240 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Port Authority because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Saint Paul's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Saint Paul'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

As described in the accompanying Schedule of Findings and Questioned Costs, the City of Saint Paul did not comply with requirements regarding CFDA No. 14.218 Community Development Block Grants/Entitlement Grants as described in finding numbers 2016-003 for Reporting, 2016-004 for Subrecipient Monitoring, and 2016-005 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grants/Entitlement Grants for the year ended December 31, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of Saint Paul's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City of Saint Paul's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City of Saint Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, and 2016-005 to be material weaknesses.

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 the attention of those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

The City of Saint Paul's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City of Saint Paul's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Paul, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 20, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Penfield Apartments, a major fund (HRA Penfield Enterprise Fund) and 1 percent, 1 percent, and 5 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Saint Paul RiverCentre Convention and Visitors Authority, which represent 2 percent, 3 percent, and 17 percent, respectively, and the Port Authority of the City of Saint Paul, which represent 31 percent, 7 percent, and 25 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saint Paul's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis 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. Such information 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 basic financial statements or to the basic 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.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 20, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified for all major programs, except for Community Development Block Grants/Entitlement Grants, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major programs are:

Community Development Block Grants/Entitlement Grants	CFDA No. 14.218
Assistance to Firefighters Grant	CFDA No. 97.044
Homeland Security Grant Program	CFDA No. 97.067

The threshold for distinguishing between Types A and B programs was \$750,000.

City of Saint Paul qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-002

Bank Reconciliations and Reconciliations of Treasury Cash and Investment Balances to INFOR Balances

Criteria: Reconciliations are control activities designed to provide reasonable assurance that material errors will be prevented and detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner. Documentation resolving any differences should be retained.

Condition: Monthly reconciliations for the City's primary checking account were not completed during 2014, and only the December 2014 bank statement was eventually reconciled. In 2015, all bank reconciliations were completed, but not on a timely basis. Also during 2014 and 2015, Treasury cash and investment balances were not reconciled to the INFOR system balances on a regular basis. At December 31, 2014 and 2015, there was a substantial difference that was not reconciled.

In 2016, all bank reconciliations were completed on a timely basis; however, the Treasury cash and investment balances were only reconciled to the INFOR system balance for December 2016. The substantial difference noted at December 31, 2014 and 2015, was still a reconciling item in 2016.

Context: Reconciling the Treasury balances to the INFOR system balances is a tool to help ensure the cash and investment records are complete and accurate and a control designed to detect, and allow for correction of, errors or irregularities on a timely basis.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner.

Cause: The City implemented the INFOR financial management system during 2014. The City indicated staff was unsure how to perform the reconciliations between the Treasury system and INFOR as the process was still in development. Delays in performing reconciliations allowed differences to accumulate over a period of time and are likely due to adjustments made to one record that, for some reason, were not carried through to the other records to ensure they balance. Once differences have accumulated, it is more difficult to find and correct them.

Recommendation: We recommend the City reconcile Treasury cash and investment balances to the INFOR system balance on a timely and regular basis. Adjustments for differences should be made as necessary so that reconciled amounts agree.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-001

Audit Adjustments

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: Material audit adjustments were identified that resulted in significant changes to the City's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the City's internal control.

Effect: The following audit adjustments were reviewed and approved by the appropriate City staff and are reflected in the financial statements:

- In the HRA Debt Service Fund, direct financing leases receivable of \$4,045,000 were eliminated and deferred inflows of resources--unavailable revenue related to the direct financing leases were eliminated in the same amount. This adjustment also affected the governmental activities in the government-wide financial statements.
- In the Sewer Utility Enterprise Fund, debt issuance costs (expenses) were decreased by \$2,002,089, interest paid on revenue bonds (expenses) were increased by \$11,312, deferred debt refunding inflows of \$1,142,596 were eliminated, and deferred debt refunding outflows of \$848,181 were recorded. This adjustment also affected the business-type activities in the government-wide financial statements.

Cause: The City has entered into lease agreements with its Housing and Redevelopment Authority (HRA) blended component unit. For financial reporting purposes and in accordance with generally accepted accounting principles, the City annually eliminates the year-end balance of the direct financing leases receivable and related deferred inflows of resources--unavailable revenue for its presentation of the HRA Debt Service Fund in the City's financial statements. Due to an oversight, the City did not eliminate the direct financing leases receivable and related deferred inflows of resources--unavailable revenue when preparing the City's 2016 financial statements. Regarding the audit adjustment to the Sewer Utility Enterprise Fund, the City incorrectly recorded some elements of the \$21,225,000 Sewer Revenue Refunding Bonds, Series 2016D issue. The City had previously issued refunding debt either as an advance refunding or as a current refunding. The Series 2016D issue was complex in that this issue was an advance refunding of the Series 2008D and 2009C Sewer Revenue Bonds, and a current refunding of the 2006C Sewer Revenue Bonds.

Recommendation: We recommend the City review its financial statement preparation procedures to ensure that eliminating entries and complex debt transactions are properly recorded to ensure that the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2016-002

Uniform Guidance Written Procurement Policies and Procedures

Direct Federal Programs: U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2015 and 2016 and U.S. Department of Homeland Security's Assistance to Firefighters Grant (CFDA No. 97.044), 2015

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this regulation.

Condition: The City has written procurement policies; however, these policies did not include all the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal programs; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: Procurement staff was not aware of the changes required by the Uniform Guidance.

Recommendation: We recommend the City include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

View of Responsible Official: Acknowledged

Finding Number 2016-003

Reporting

Direct Federal Program: U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2009 and 2011

Criteria: The *Federal Register*, Vol. 75, No. 201, states NSP1 and NSP3 grantees must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the grant.

Condition: Review of the NSP Quarterly Progress Reports for NSP1 and NSP3 grants on the HUD Exchange website noted that quarterly reports had not been submitted since the second quarter of 2015 for either grant.

Questioned Costs: Not applicable.

Context: The HUD Exchange does not provide notice to users if they have not submitted their reports.

Effect: The City is not in compliance with HUD requirements.

Cause: Several staff working with the NSP grants retired during 2016. The positions were filled, but staff is still learning all the grant requirements.

Recommendation: We recommend the City establish procedures to ensure that NSP1 and NSP3 Quarterly Progress Reports are completed by the HUD deadlines.

View of Responsible Official: Concur

Finding Number 2016-004

Subrecipient Monitoring

Direct Federal Program: U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2015 and 2016

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.331(b) states that the pass-through entity must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the sub-award.

Condition: The City of Saint Paul did not perform risk assessments for any of its subrecipients in 2016.

Questioned Costs: Not applicable.

Context: Because of the lack of risk assessments being completed, noncompliance could occur if funds are passed to an organization that does not have the capabilities of complying with the federal requirements.

Effect: The City is not in compliance with the subrecipient monitoring requirements.

Cause: Several staff working with the grants retired during 2016. The positions were filled, but staff is still learning all the grant requirements.

Recommendation: We recommend the City establish procedures to ensure that a risk assessment is performed for each subrecipient before making the sub-award.

View of Responsible Official: Concur

Finding Number 2016-005

Special Tests and Provisions - Environmental Reviews

Direct Federal Program: U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), 2009 and 2010

Criteria: Title 24 U.S. *Code of Federal Regulations* §§ 58.0, 58.22, 58.34, 58.35, and 570.604 require projects have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from request for release of funds and environmental certifications requirements.

Condition: Of the four projects tested for environmental reviews, none had documentation of the reviews or documentation of an exemption in the file.

Questioned Costs: Not applicable.

Context: The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users.

Effect: The City is not in compliance with the requirement for environmental reviews.

Cause: Failure to follow the internal control procedures ensuring the documentation of the review was included in the project file.

Recommendation: We recommend City staff follow the internal control procedures established to ensure documentation of compliance with the environmental review requirement is maintained.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2016-006

Statements of Economic Interest

Criteria: Minn. Stat. § 10A.09, subd. 6, states each individual who is required to file a statement of economic interest must also file an annual statement by the last Monday in January of each year that the individual remains in office.

Condition: Statements of economic interest for 37 of the 42 forms reviewed were not filed with the City Clerk's Office by the last Monday in January.

Context: The annual statement must cover the period through December 31 of the year prior to the year when the statement is due.

Effect: The City is not in compliance with the state statute.

Cause: The due date of the economic interest statements changed from April to January for 2016. City staff was not aware of the change.

Recommendation: We recommend the City communicate the due date to all individuals required to file a statement of economic interest.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2013-005 Reporting - Transparency Act (CFDA No. 14.239)

2015-001 Project Reporting (CFDA No. 66.818)

2015-002 Reporting (CFDA No. 14.239)

2012-004 Reporting (CFDA No. 14.218)

2013-005a Reporting - Transparency Act (CFDA No. 14.218 and CFDA No. 14.231)

**REPRESENTATION OF THE CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2014-002

Finding Title: Bank Reconciliations and Reconciliations of Treasury Cash and Investment Balances to INFOR Balances

Name of Contact Person Responsible for Corrective Action:

Dolly Lee, Accountant IV

Chris Eitemiller, Accounting Manager

Mike Solomon, Treasurer

Joy Thao, Deputy Director - Accounting & Business Support

Corrective Action Planned:

OFS Accounting & Treasury will undertake a process to reconcile Treasury cash and investment balances to the INFOR system beginning with 2014 data. Adjustments will be made as necessary. Once differences are resolved, OFS will reconcile INFOR with Treasury cash and investment balances on a timely and regular basis.

Anticipated Completion Date:

December 2017

Finding Number: 2016-001

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Kevin Mannerter, Accountant IV

Chris Eitemiller, Accounting Manager

Mike Solomon, Treasurer

Corrective Action Planned:

OFS Senior Accountant will work with OFS Treasury staff to ensure debt-related entries are properly reflected in the system moving forward.

Anticipated Completion Date:

December 2017

Finding Number: 2016-002

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Programs: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), Assistance to Firefighters Grant (CFDA No. 97.044)

Name of Contact Person Responsible for Corrective Action:

Jessica Brokaw, HREEO Deputy Director
Dolly Lee, Accountant IV
Chris Eitemiller, Accounting Manager
Beth Ulrich, PED Grants Manager

Corrective Action Planned:

Procurement policies and procedures will be updated to include updated Uniform Guidance requirements. PED staff will focus on CDBG contract specifics to ensure compliance.

Anticipated Completion Date:

December 2017

Finding Number: 2016-003

Finding Title: Reporting

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

Name of Contact Person Responsible for Corrective Action:

Rhonda Gillquist, PED Lead Accountant
Kristin Guild, Deputy Director of PED
Dolly Lee, Accountant IV

Corrective Action Planned:

Missing NSP Quarterly Progress Reports will be submitted. OFS will coordinate with PED to develop a City-wide process to provide for fiscal and programmatic oversight. This will allow for future reports to be completed by HUD's deadlines.

Anticipated Completion Date:

December 2017

Finding Number: 2016-004

Finding Title: Subrecipient Monitoring

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

Name of Contact Person Responsible for Corrective Action:

Kristin Guild, Deputy Director of PED

Beth Ulrich, PED Grants Manager

Dolly Lee, Accountant IV

Chris Eitemiller, Accounting Manager

Joy Thao, Deputy Director - Accounting & Business Support

Corrective Action Planned:

Sub-recipients for this program are determined during the City's bi-annual Capital Improvement Budget (CIB) process. During the 2018-19 CIB process, which began in April 2017, a process was put in place to conduct risk assessments for each CDBG grant sub-recipient before making any sub-awards.

Anticipated Completion Date:

April 2017

Finding Number: 2016-005

Finding Title: Special Tests and Provisions - Environmental Reviews

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

Name of Contact Person Responsible for Corrective Action:

Kristin Guild, Deputy Director of PED

Corrective Action Planned:

PED Staff is working to improve internal review and communication to ensure the documentation requirement for environmental reviews is maintained.

Anticipated Completion Date:

December 2017

Finding Number: 2016-006

Finding Title: Statements of Economic Interest

Name of Contact Person Responsible for Corrective Action:

Shari Moore, City Clerk
Trudy Moloney, Director of City Council Operations

Corrective Action Planned:

Obtain information sooner and file report by the last Monday in January. The previous deadline had been April. This process has been updated for next year.

Anticipated Completion Date:

April 2017

**REPRESENTATION OF THE CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2014-002

Finding Title: Bank Reconciliations and Reconciliations of Treasury Cash and Investment Balances to INFOR Balances

Summary of Condition: In the 2014 audit, the Office of the State Auditor noted monthly reconciliations for the City's primary checking account were completed only through December 2013. The City later reconciled the December 2014 bank statement, but did not reconcile the other months of 2014. Also during 2014, Treasury cash and investment balances were not being reconciled to the INFOR system balances on a regular basis. At December 31, 2014, there was a substantial difference that could not be reconciled.

In 2015, all bank reconciliations were completed, but not on a timely basis. They were started in November 2015 and completed by March 2016. The Treasury cash and investment balances were not being reconciled to the INFOR system balance on a regular basis in 2015. Only the final December 2015 reconciliation was done. The substantial difference noted at December 31, 2014, was still a reconciling item in 2015.

Summary of Corrective Action Previously Reported: 2015 was the City's second year on the new Enterprise Resource Planning (ERP) system, INFOR. The first year's CAFR on the new system, fiscal year ended December 31, 2014, was delayed due to multiple business processes that were revamped to accommodate the new system. The City's turnaround time from the issuance of the 2014 comprehensive annual financial report (CAFR) to starting production on the 2015 CAFR was a period of a month. The Office of Financial Services executed a very aggressive timeline for the 2015 bank reconciliations to be done in order for the 2015 CAFR to be timely. By the time March 2016 came around, reconciling cash on a monthly basis served no purpose when calendar year 2015 had already passed by.

For 2016, the City will establish a routine month-end process by the fourth quarter to ensure that bank reconciliations and cash reconciliations can be restored to being a periodic regular business process between the Treasury department and the Accounting department. The City plans to identify what makes up the substantial difference noted on December 31, 2014, and resolve the variance. There is a possibility that timing and external consulting recommendations could have skewed the beginning converted cash balances into INFOR.

Status: Partially Corrected. The City successfully established and implemented a routine month-end process that ensured the bank reconciliations were performed timely prior to December 31, 2016. The City is currently in the process of establishing a routine that will allow for the timely reconciliation of Treasury cash and investment balances to the INFOR system balance. Part of the effort to reconcile cash and investment balances requires that INFOR's general ledger system is closed timely and efforts are still being made to establish a routine month-end close schedule. Also, there is still a possibility that timing and external consulting recommendations could have skewed the beginning converted cash balances into INFOR. The City still plans to identify what makes up the substantial difference noted on December 31, 2014, and resolve the variance.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2013-005

Finding Title: Reporting - Transparency Act

Program: HOME Investment Partnerships Program (CFDA No. 14.239)

Summary of Condition: There are no policies or procedures in place to ensure the City is reporting its first-tier subawards associated with federal grants and contracts in the Federal Funding Accountability and Transparency Act (FFATA) FFATA Subaward System (FSRS). The City had subrecipients during 2015 that received over \$25,000/\$30,000 of pass-through funds from the City, which are required to be reported in this system. This reporting was not completed.

Summary of Corrective Action Previously Reported: In June 2016, the Office of Financial Services (OFS) started working on a plan to create a centralized support structure to lead, guide, and provide citywide oversight for a federal reporting plan that will comply with FFATA.

As it pertains to this particular finding related to the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (CFDA No. 14.239), OFS will work with the City of Saint Paul's Planning and Economic Development Department (PED) to develop a federal reporting procedure.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2015-001

Finding Title: Project Reporting

Program: Brownfields Assessment and Cleanup Cooperative Agreements (CFDA No. 66.818)

Summary of Condition: The Minnesota Cleanup Revolving Loan was part of the funding obtained for the construction of the Lowertown Ballpark. In addition to the Minnesota Cleanup Revolving Loan, the City received a Contamination Cleanup Grant from the Minnesota Department of Employment and Economic Development (DEED) for the same project. The information for the revolving loan was included in the report submitted to DEED for the grant. However, the expenditures submitted for the grant did not include all expenditure categories for the revolving loan. Demolition costs of \$195,552 were not reported.

Summary of Corrective Action Previously Reported: The Office of Financial Services will work with the City of Saint Paul's Parks and Recreation Department to devise a plan to complete a report for the Revolving Loan (Minnesota Cleanup Revolving Loan Fund Loan Agreement for construction of the Lowertown Ballpark) that includes all expenditures paid from the Revolving Loan funds or obtain documentation from DEED that states they have met the reporting requirements.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2015-002

Finding Title: Reporting

Program: HOME Investment Partnerships Program (CFDA No. 14.239)

Summary of Condition: The City of Saint Paul's Human Rights and Equal Economic Opportunity Department (HREEO) and Planning and Economic Development Department (PED) prepare reports to be submitted to the U.S. Department of Housing and Urban Development (HUD) to comply with federal program requirements. The SF-425 report and the Section 3 Report were not formally reviewed by someone other than the preparer prior to their submission to HUD.

Summary of Corrective Action Previously Reported: On January 1, 2016, PED implemented a procedure that requires the PED lead accountant to review the SF-425 report prior to it being submitted to HUD.

As it pertains to this particular finding related to HUD's HOME Investment Partnerships Program (CFDA No. 14.239), the Office of Financial Services will work with PED to ensure that review procedures are established for the Section 3 Report.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2012-004

Finding Title: Reporting

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218)

Summary of Condition: The City of Saint Paul's Human Rights and Equal Economic Opportunity (HREEO) Department and Planning and Economic Development Department (PED) prepare reports to be submitted to the U.S. Department of Housing and Urban Development (HUD) to comply with federal program requirements. The SF-425 report and the Section 3 Report were not formally reviewed by someone other than the preparer prior to their submission to HUD.

Summary of Corrective Action Previously Reported: On January 1, 2016, PED implemented a procedure that requires the PED lead accountant to review the SF-425 report prior to it being submitted to HUD.

As it pertains to this particular finding related to HUD's Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), the Office of Financial Services will work with PED to ensure that review procedures are established for the Section 3 Report.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2013-005a

Finding Title: Reporting - Transparency Act

Program: Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) and Emergency Solutions Grant Program (CFDA No. 14.231)

Summary of Condition: There are no policies or procedures in place to ensure the City is reporting its first-tier subawards associated with federal grants and contracts in the Federal Funding Accountability and Transparency Act (FFATA) FFATA Subaward System (FSRS) System (FSRS). The City had subrecipients during 2015 that received over \$25,000/\$30,000 of pass-through funds from the City, which are required to be reported in this system. This reporting was not completed.

Summary of Corrective Action Previously Reported: In June 2016, the Office of Financial Services started working on a plan to create a centralized support structure to lead, guide, and provide citywide oversight for a federal reporting plan that will comply with FFATA.

As it pertains to this particular finding related to the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grants/Entitlement Grants (CFDA No. 14.218), the Office of Financial Services will work with the City of Saint Paul's Planning and Economic Development Department to develop a federal reporting procedure.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Community Development Block Grants/Entitlement Grants	14.218		\$ 6,323,887	\$ 1,982,598
Emergency Solutions Grant Program	14.231		553,464	533,561
Home Investment Partnerships Program	14.239		261,694	-
Neighborhood Stabilization Program - ARRA	14.256		166,914	-
Fair Housing Assistance Program - State and Local	14.401		90,925	-
Passed Through Minnesota Home Ownership Center				
Housing Counseling Assistance Program	14.169	HC150011025-05	21,835	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2009-14B-NSP	102,662	-
Total U.S. Department of Housing and Urban Development			\$ 7,521,381	\$ 2,516,159
U.S. Department of Justice				
Direct				
Public Safety Partnership and Community Policing Grants <i>(Total Public Safety Partnership and Community Policing Grants 16.710 \$260,239)</i>	16.710		\$ 259,632	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738		274,488	80,129
Passed Through Minnesota Department of Public Safety				
Public Safety Partnership and Community Policing Grants <i>(Total Public Safety Partnership and Community Policing Grants 16.710 \$260,239)</i>	16.710	62586	607	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIO-2016-SPPD-00006	5,626	-
Total U.S. Department of Justice			\$ 540,353	\$ 80,129
U.S. Department of Transportation				
Passed Through Metropolitan Council				
Federal Transit Capital Investment Grants	20.500	SG-2008-100	\$ 22,540	\$ -
Passed Through Minnesota Department of Public Safety				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2015-STPFIRE-00031	9,357	-

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (Continued)				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	99922	156,518	-
Highway Planning and Construction <i>(Total Highway Planning and Construction 20.205 \$852,502)</i>	20.205	04556	695,984	-
Passed Through Minnesota State Patrol Division				
Highway Safety Cluster				
National Priority Safety Programs <i>(Total National Priority Safety Programs 20.616 \$144,501) (Total Highway Safety Cluster \$188,212)</i>	20.616	17M07	771	-
Passed Through Ramsey County				
Highway Safety Cluster				
State and Community Highway Safety <i>(Total Highway Safety Cluster \$188,212)</i>	20.600	Not Provided	44,161	-
National Priority Safety Programs <i>(Total National Priority Safety Programs 20.616 \$144,501) (Total Highway Safety Cluster \$188,212)</i>	20.616	Not Provided	143,280	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	44,645	-
Total U.S. Department of Transportation			\$ 1,117,256	\$ -
U.S. Department of Treasury				
Passed Through Minnesota Housing Finance Agency				
National Foreclosure Mitigation Counseling	21.000	PL113-235X1350	\$ 3,960	\$ -
National Foreclosure Mitigation Counseling <i>(Total National Foreclosure Mitigation Counseling 21.000 \$6,980)</i>	21.000	PL114-113X1350	3,020	-
Total U.S. Department of Treasury			\$ 6,980	\$ -
U.S. Environmental Protection Agency				
Direct				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814		\$ 35,470	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		55,729	-

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency (Continued)				
Passed Through Minnesota Public Facilities Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF- L-049-FY17	408,964	-
Total U.S. Environmental Protection Agency			\$ 500,163	\$ -
Corporation for National and Community Service				
Direct Volunteers in Service to America	94.013		\$ 261,262	\$ -
U.S. Department of Homeland Security				
Direct Assistance to Firefighters Grant	97.044		\$ 1,389,223	\$ 77,027
Port Security Grant Program	97.056		601,633	-
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4182	125,565	-
Emergency Management Performance Grants	97.042	A-EMPG-2014- STPAULEER MGT-0772	30,000	-
Homeland Security Grant Program	97.067	A-SHSP-2014- STPBOMB-00017	51,586	-
Homeland Security Grant Program	97.067	A-SHSP-2015- STPBOMB-0018	55,518	-
Homeland Security Grant Program	97.067	A-SHSP-2015- STPAULCI-0019	68,000	-
Homeland Security Grant Program	97.067	A-UASI-2014- STPAULCI-00013	558,477	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$1,040,535)	97.067	A-UASI-2015- STPAULCI-0012	306,954	-
Total U.S. Department of Homeland Security			\$ 3,186,956	\$ 77,027
Total Federal Awards			\$ 13,134,351	\$ 2,673,315

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**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Saint Paul and the Saint Paul Regional Water Services, a component unit of the City. For the year ended December 31, 2016, the level of federal funding for the Saint Paul Regional Water Services did not require that a separate single audit be performed for the component unit. This schedule does not include \$6,609,240 in federal awards expended by the Port Authority of the City of Saint Paul, a component unit of the City, which had a separate single audit. The City and the Saint Paul Regional Water Services' reporting entities are defined in Note II to the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saint Paul and the Saint Paul Regional Water Services under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Saint Paul and the Saint Paul Regional Water Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Saint Paul or the Saint Paul Regional Water Services.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Saint Paul and the Saint Paul Regional Water Services. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Saint Paul and the Saint Paul Regional Water Services have elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF SAINT PAUL
SAINT PAUL, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 10,291,936
Expenditures of program income	
Community Development Block Grants/Entitlement Grants	969,299
Edward Byrne Memorial Justice Assistance Grant Program	17,830
Home Investment Partnerships Program	176,521
Neighborhood Stabilization Program - ARRA	224,579
Expenditures occurring in 2015, but revenue recognized in 2016	
Edward Byrne Memorial Justice Assistance Grant Program	(8,476)
Homeland Security Grant Program	(10,800)
Port Security Grant Program	(442)
State and Community Highway Safety	(2,421)
Expenditures occurring in 2016, but revenue deferred until 2017	
Community Development Block Grants/Entitlement Grants	1,048,687
Edward Byrne Memorial Justice Assistance Grant Program	665
Home Investment Partnerships Program	26,746
Timing Difference Between Expenditures and Related Reimbursements	(8,737)
Expenditures for the Saint Paul Regional Water Services	
Capitalization Grants for Drinking Water State Revolving Funds	408,964
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 13,134,351

5. Saint Paul Regional Water Services' Reconciliation of Schedule of Expenditures of Federal Awards to Actual Reimbursements

Saint Paul Regional Water Services had expenditures under one federal award in 2016. This was Capitalization Grants for Drinking Water State Revolving Funds, which is passed through the Minnesota Public Facilities Authority (MNPFA). This award is in the form of a Drinking Water Note Payable secured by General Obligation Bonds. It will be repaid over a 20-year period.

Expenditures for the Capitalization Grants for Drinking Water State Revolving Funds during the year ended December 31, 2016, totaled \$408,964. Reimbursements during fiscal year 2016, which are reflected in the increase to the revenue notes long-term obligations, totaled \$394,170; \$86,920 is for 2015 expenditures, and the remaining \$307,250 is related to 2016 expenditures.