

STATE OF MINNESOTA

Office of the State Auditor



**Rebecca Otto
State Auditor**

MANAGEMENT AND COMPLIANCE REPORT
PREPARED AS A RESULT OF THE AUDIT OF THE

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

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

Year Ended December 31, 2009



Management and Compliance Report

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

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

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

Schedule 1

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of the City of Saint Paul.
- B. No matters involving internal control over financial reporting were 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*."
- C. No instances of noncompliance material to the financial statements of the City of Saint Paul were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." The significant deficiency is not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for the City of Saint Paul expresses an unqualified opinion.
- F. A finding relative to a major federal award program for the City of Saint Paul was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Community Development Block Grants/Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	CFDA #14.218
Community Development Block Grants/Entitlement Grants - ARRA	CFDA #14.253
Public Safety Partnership and Community Policing Grant - ARRA	CFDA#16.710

Internet Crimes Against Children Cluster	
Internet Crimes Against Children Task Force Program	CFDA #16.800
Internet Crimes Against Children Task Force Program - ARRA	CFDA #16.800
Federal Transit Capital Investment Grants	CFDA #20.500
Assistance to Firefighters Grant	CFDA #97.044

- H. The threshold for distinguishing between Types A and B programs was \$514,213.
- I. The City of Saint Paul 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 ITEMS RESOLVED

Notes and Loans Receivable (07-1)

Audit confirmations for notes and loans receivable noted discrepancies between what the borrowers stated as their principal balance and the balance that the Housing and Redevelopment Authority (HRA) had recorded on the Nortridge System as of the same date. The discrepancies were due to forgiveness of loans not adequately communicated between HRA staff and thus properly adjusted in the accounting records.

Resolution

No significant discrepancies of principal balances for notes and loans receivable between those confirmed with the borrowers and those recorded in the Nortridge System were identified during the 2009 audit.

Audit Adjustments (07-2)

Audit adjustments were made that resulted in significant changes to the City and HRA financial statements.

Resolution

No material audit adjustments were identified during the 2009 audit.

Land Held for Resale (08-1)

Due to inadequate review by HRA staff of property valuation records for land held for resale, a revaluation error was not detected, resulting in an audit adjustment.

Resolution

No material inaccuracies in property valuation were identified during the 2009 audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

ITEM ARISING THIS YEAR

09-1 Identification of Federal Awards - Federal Transit Capital Investment Grants
(CFDA #20.500)

City of Saint Paul Parks and Recreation staff initially provided auditors with federal awards information that did not include identification of the Federal Transit Capital Investment Grants program (CFDA #20.500). It was not until the audit of the Parks and Recreation Grants and Aids Special Revenue Fund that auditors were made aware of this federal grant.

Office of Management and Budget Circular A-133, Subpart C, § .300, lists auditee responsibilities, which include identifying all federal awards received and expended and the federal programs under which they were received and preparing appropriate financial statements, including the Schedule of Expenditures of Federal Awards. The City did not adequately meet this responsibility in regard to the federal awards program for CFDA #20.500.

We recommend that the City develop policies and procedures that effectively address its responsibility to properly identify all federal awards received and expended and identify the federal programs under which they were received.

Corrective Action Plan:

Contact Person(s):

*Tom Russell, Finance and Planning Manager, Parks and Recreation
(651) 266-6415*

*Margaret Kelly, Director, Office of Financial Services
(651) 266-8796*

Corrective Action Plan:

Parks and Recreation will modify their internal processes for responding to this request for information in the future to include an email to all program staff to solicit information on grants, and a second review of the department's response prior to submission to the Auditor.

The Office of Financial Services is in the process of hiring a grants manager who will have responsibility for tracking federal grant funding city-wide and who will develop policies and procedures for federal grant accounting and reporting.

Anticipated Completion Date:

Parks and Recreation has completed their corrective action plan.

The Office of Financial Services anticipates that city-wide tracking will be in place for the next fiscal year (January 2011).

PREVIOUSLY REPORTED ITEM RESOLVED

**Allowable Costs – Edward Byrne Memorial State and Local Law
Enforcement Assistance Discretionary Grant Program (CFDA #16.580)
(08-2)**

A reimbursement to a City employee for travel costs incurred for attending a conference included a reimbursement of hotel costs which exceeded the federal per diem rate for lodging as set forth, at that time, in the current edition of the Office of Justice Programs (OJP) Financial Guide, Part III - Chapter 7: Allowable Costs.

Resolution

The U.S. Department of Justice, Office of Justice Programs, performed a financial monitoring and technical assistance visit during August 2009, which included the grant. The Office of Justice Programs requested the City of Saint Paul provide a written response to a recommendation made related to the visit. In a letter dated December 22, 2009, from the U.S. Department of Justice, Office of Justice Programs, the City's response to the recommendation was determined to adequately address the recommendation, and the recommendation was officially closed.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

GASB Statement 54

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

Fund Balance Reporting

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

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

Schedule 1
(Continued)

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

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

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



REBECCA OTTO
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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*

Mayor and Members of the City Council
City of Saint Paul, Minnesota

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2010. Our report was modified to include references to other auditors. 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. Other auditors audited the financial statements of 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 of Saint Paul'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, we considered the City of Saint Paul'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 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.

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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saint Paul's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the City of Saint Paul complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the City, and it is reported for that purpose.

This report is intended solely for the information and use of the Mayor and members of the City Council, management and others within the City, 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 25, 2010

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

Mayor and Members of the City Council
City of Saint Paul, Minnesota

Compliance

We have audited the compliance of the City of Saint Paul, Minnesota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Saint Paul's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of the City of Saint Paul and the Port Authority of the City of Saint Paul, component units of the City, which expended \$2,902,968 and \$574,837, respectively, in federal awards during the year ended December 31, 2009, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA because it had a separate single audit in accordance with OMB Circular A-133. Our audit also did not include the operations of the Port Authority because other auditors were engaged to perform a separate single audit in accordance with OMB Circular A-133.

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 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

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

Internal Control Over Compliance

Management of the City of Saint Paul 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 City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 09-1. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Paul as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2010. We did not audit the financial statements of the Saint Paul RiverCentre Convention and Visitors Authority and the Port Authority of the City of Saint Paul, discretely presented component units. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the City of Saint Paul's financial statements that collectively comprise the City'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.

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

This report is intended solely for the information and use of the Mayor and Members of the City Council, management and others within the City, 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 25, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

Schedule 2

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce		
Direct Grants		
Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 99,110</u>
U.S. Department of Housing and Urban Development		
Direct Grants		
Community Development Block Grants/Entitlement Grants Cluster		
Community Development Block Grants/Entitlement Grants	14.218	\$ 9,252,326
Community Development Block Grants/Entitlement Grants -- ARRA	14.253	319,800
Emergency Shelter Grants Program	14.231	357,566
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	193,324
Self-Help Homeownership Opportunity Program	14.247	175,995
Passed Through Minnesota Housing Finance Agency		
Community Development Block Grants/Entitlement Grants	14.218	<u>816,597</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 11,115,608</u>
U.S. Department of Justice		
Direct Grants		
Services for Trafficking Victims	16.320	\$ 170,618
National Institute of Justice Research, Evaluation and Development Projects Grants	16.560	155,202
Edward Byrne Memorial State-Local Law Enforcement Assistance Discretionary Grants Program	16.580	110,658
The Community-Defined Solutions to Violence Against Women Grant Program	16.590	140,631
Bulletproof Vest Partnership Program	16.607	650
Public Safety Partnership and Community Policing Grant -- ARRA	16.710	425,251
Gang Resistance Education and Training	16.737	56,801
Edward Byrne Memorial Justice Assistance Grant Program	16.738	245,324
Paul Coverdell Forensic Science Improvement Grant Program	16.742	64,043
Internet Crimes Against Children Task Force Program Cluster		
Internet Crimes Against Children Task Force Program	16.800	439,269
Internet Crimes Against Children Task Force Program -- ARRA	16.800	105,547
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government -- ARRA	16.804	22,474
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grants	16.523	25,112
Violence Against Women Formula Grants -- ARRA	16.588	39,028
Enforcing Underage Drinking Laws Program	16.727	<u>4,992</u>
Total U.S. Department of Justice		<u>\$ 2,005,600</u>

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

Schedule 2
(Continued)

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Labor		
Passed Through Minnesota Department of Labor and Industry Occupational Safety and Health Administration -- ARRA	17.503	\$ 10,000
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,337,620
Passed Through the Metropolitan Council Federal Transit Capital Investment Grants	20.500	534,331
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	55,161
Alcohol Impaired Driving Countermeasures Incentive Grant I	20.601	2,691
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>16,965</u>
Total U.S. Department of Transportation		\$ 1,946,768
Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities		
Passed Through Minnesota Department of Education and the Friends of the Library Grants to States	45.310	\$ 1,634
Passed Through St. Catherine University Laura Bush 21st Century Librarian Program	45.313	<u>5,481</u>
Total Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities		\$ 7,115
Office of Solid Waste and Emergency Response		
Direct Grant Brownfields Assessment and Cleanup Cooperative Agreements -- ARRA	66.818	\$ 18,714
U.S. Department of Energy		
Direct Grant Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	\$ 79,686
U.S. Department of Education		
Direct Grant Fund for the Improvement of Education	84.215	\$ 21,265

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

Schedule 2
(Continued)

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
Corporation for National and Community Service		
Direct Grant		
Volunteers in Service to America	94.013	\$ 254,594
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	\$ 705,296
Homeland Security Grant	97.067	681,414
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	37,820
Buffer Zone Protection Program (BZPP)	97.078	63,155
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	94,293
Total U.S. Department of Homeland Security		\$ 1,581,978
Total Federal Awards		\$ 17,140,438

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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, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Saint Paul. It does not include \$2,902,968 and \$574,837 in federal awards expended by the Housing and Redevelopment Authority (HRA) of the City of Saint Paul and the Port Authority of the City of Saint Paul, respectively, component units of the City, which had separate single audits. The City of Saint Paul's reporting entity is defined in Note 2 to the 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 under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Saint Paul, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Saint Paul.

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. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the 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.

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 21,866,016
Expenditures occurring prior to 2009 but reimbursed in 2009	
Federal Highway Planning and Construction Grant	(1,822,610)
Grants received by blended component unit not included	
Housing Counseling Assistance Grant Program	(79,651)
Shelter Plus Care Grant	(48,173)
HOME Investment Partnerships Program	(2,649,701)
National Foreclosure Mitigation Counseling Program	(125,443)
	<u>\$ 17,140,438</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 17,140,438</u>

5. Subrecipients

Of the expenditures presented in the schedule, the City of Saint Paul provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/ Entitlement Grants	\$ 3,237,235
14.231	Emergency Shelter Grants Program	334,437
14.247	Self-Help Homeownership Opportunity Program	172,524
16.738	Edward Byrne Memorial Justice Assistance Grant Program	107,940
16.804	Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments -- ARRA	22,474
20.205	Highway Planning and Construction	20,926
	Total	<u>\$ 3,895,536</u>

6. American Recovery and Reinvestment Act

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