

**CITY OF ST. LOUIS PARK, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND INDEPENDENT  
AUDITOR'S REPORTS**

For The Year Ended December 31, 2010

**CITY OF ST. LOUIS PARK, MINNESOTA**  
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**TAUTGES REDPATH, LTD.**  
*Certified Public Accountants*

REPORT ON COMPLIANCE WITH MINNESOTA LEGAL  
COMPLIANCE AUDIT GUIDE FOR POLITICAL SUBDIVISIONS

To the Honorable Mayor and  
Members of the City Council  
City of St. Louis Park, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Louis Park, Minnesota, as of and for the year ended December 31, 2010 and have issued our report thereon dated June 28, 2011.

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers 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 St. Louis Park, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City of St. Louis Park, Minnesota's City council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

HLB TAUTGES REDPATH, LTD.  
White Bear Lake, Minnesota

June 28, 2011



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*

To the Honorable Mayor and  
Members of the City Council  
City of St. Louis Park, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Louis Park, Minnesota, as of and for the year ended December 31, 2010 which collectively comprise the City of St. Louis Park, Minnesota's basic financial statements and have issued our report thereon, dated June 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of St. Louis Park, Minnesota'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 of St. Louis Park, Minnesota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Louis Park, Minnesota's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness and one deficiency that we consider to be a significant deficiency.

*A deficiency in internal control* 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 a combination of deficiencies, in internal control such that there is a reasonable

City of St. Louis Park, Minnesota  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters  
Page 2

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

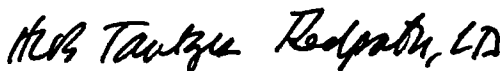
A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of St. Louis Park, Minnesota'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*.

The City of St. Louis Park, Minnesota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of St. Louis Park, Minnesota's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.



HLB TAUTGES REDPATH, LTD.  
White Bear Lake, Minnesota

June 28, 2011



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

To the Honorable Mayor and  
Members of the City Council  
City of St. Louis Park, Minnesota

**Compliance**

We have audited the City of St. Louis Park's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of St. Louis Park's major federal programs for the year ended December 31, 2010. The City of St. Louis Park'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 of St. Louis Park's management. Our responsibility is to express an opinion on the City of St. Louis Park's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Louis Park'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 of St. Louis Park's compliance with those requirements.

In our opinion, the City of St. Louis Park, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### **Internal Control Over Compliance**

Management of the City of St. Louis Park is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Louis Park's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Louis Park'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.

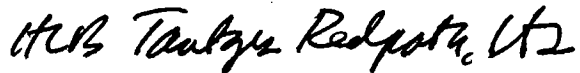
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Louis Park, Minnesota as of and for the year ended December 31, 2010, and have issued our report thereon dated June 28, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the City of St. Louis Park, Minnesota's City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "HLB Tautges Redpath, Ltd." The signature is written in a cursive, flowing style.

HLB TAUTGES REDPATH, LTD.  
White Bear Lake, Minnesota

June 28, 2011

**CITY OF ST. LOUIS PARK, MINNESOTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through Hennepin County, Minnesota:			
Community Development Block Grant	14.218	A100747	<u>\$237,664</u>
<b>U.S. Department of Health and Human Services:</b>			
Early Retiree Reinsurance Program	93.unknown	n/a - Direct	<u>114,158</u>
<b>U.S. Department of Justice:</b>			
Bulletproof Vest Partnership Program			
Passed through Hennepin County, Minnesota:	16.607	n/a - Direct	1,495
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	A090314	<u>52,277</u>
Total U.S. Department of Justice			<u>53,772</u>
<b>U.S. Department of Transportation:</b>			
Passed through State of Minnesota:			
ARRA - Highway Planning and Construction	20.205	163-280-020	2,682,210
Highway Planning and Construction	20.205	163-280-020	<u>4,707,385</u>
Total U.S. Department of Transportation			<u>7,389,595</u>
<b>U.S. Department of Energy:</b>			
Passed through State of Minnesota:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	N/A - Direct	<u>142,516</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$7,937,705</u></u>

Notes to the schedule of expenditures of federal awards

*Note 1. Basis of Presentation*

*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 St. Louis Park Minnesota, follow generally accepted accounting principles. The government-wide and the proprietary financial statements are reported using the accrual basis of accounting. The governmental fund financial statements are reported using the modified accrual basis of accounting as disclosed in the financial statement footnotes. The above schedule of expenditures of federal awards includes the federal grant activity of the City of St. Louis Park and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.*

*Note 2. Subrecipients*

*Of the federal expenditures presented in the schedule, the City of St. Louis Park provided federal awards to subrecipients as follows:*

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$237,664

**CITY OF ST. LOUIS PARK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2010

<b>SECTION I - SUMMARY OF AUDIT RESULTS</b>
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Financial Statements

- |  |               |             |               |               |
|--|---------------|-------------|---------------|---------------|
| A. Type of auditors' report issued:  |               | Unqualified |               |               |
| B. Internal control over financial reporting:  |               |             |               |               |
| • Material weakness(es) identified?  | <u>  X  </u>  | Yes         | <u>      </u> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>  X  </u>  | Yes         | <u>      </u> | None reported |
| C. Noncompliance material to financial statements noted?                                 | <u>      </u> | Yes         | <u>  X  </u>  | No            |

Federal Awards

- |   |               |     |              |               |
|---|---------------|-----|--------------|---------------|
| D. Internal control over major programs:  |               |     |              |               |
| • Material weakness(es) identified?   | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses?                              | <u>      </u> | Yes | <u>  X  </u> | None reported |
| E. Type of auditors' report issued on compliance for major programs:  |               |     |              |               |
| F. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | <u>      </u> | Yes | <u>  X  </u> | None reported |
| G. Identification of major programs:  |               |     |              |               |

Name of Federal Program	CFDA Number
ARRA – Highway Planning and Construction	20.205
Highway Planning and Construction	20.205

- |   |               |           |              |    |
|---|---------------|-----------|--------------|----|
| H. Dollar threshold used to distinguish between Type A and Type B programs: |               | \$300,000 |              |    |
| I. Auditee qualified as a low-risk auditee?                                 | <u>      </u> | Yes       | <u>  X  </u> | No |

**CITY OF ST. LOUIS PARK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2010

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<b>SECTION II – FINANCIAL STATEMENT FINDINGS</b>
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**2010-1 Financial Statement Corrections**

*Criteria:* Audit standards specify that a correction of any magnitude that could occur and not be detected by the City's controls be considered a deficiency in internal control.

*Condition:* Audit staff detected corrections relating to accounts receivable, due from other governments, prepaid expenses, salaries payable, accrued interest payable and deferred revenue. These corrections were not material to the financial statements. In addition, City staff identified errors in previously issued financial statements relating to loans receivable, capital assets, interfund loan interest and expenditures. These errors, some of which were material, resulted in prior period adjustments.

*Cause:* In our viewpoint, the guidance provided by audit standards regarding financial statement corrections combined with the complexity of governmental accounting will result in most local governments receiving a finding in this regard.

*Effect:* There is an increased risk that financial statement misstatements may occur.

*Recommendation:* We recommend City staff continue to attempt to appropriately record these types of transactions.

*Views of Responsible Officials and Corrective Action Plan:* It is the intent of the City's staff to minimize the number of audit adjustments needed each year. As explained in the cause section of the audit comment, due to the complexity of some governmental accounting issues, it is unlikely that the City will not have one recommended audit adjustment in any particular year.

**CITY OF ST. LOUIS PARK, MINNESOTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2010

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**2010-2 Approval of Journal Entries, Bank Reconciliations and Other Transactions**

*Criteria:* Transactions and reconciliations should be reviewed by someone other than the person executing a transaction or performing a reconciliation. Evidence of such review should be documented.

*Condition:* During our testing of journal entries, we found no evidence of approval of the six journal entries tested. We also understand that, during 2010 the Accountant performed the bank reconciliation duties, but that the bank reconciliations were not reviewed by another appropriate City staff member. In addition, we noted the Accountant receives a payroll entry from the Payroll Clerk to record in the general ledger, but the payroll entry is not reviewed. Finally, we noted two credit card transactions (out of 29 tested) which were approved by the same person making the transaction. Both transactions, which totaled \$53.29, appeared to be reasonable purchases.

*Effect:* Unapproved transactions and reconciliations subject the City to a higher risk that errors or fraud could occur and not be detected in a timely manner.

*Recommendation:* We understand that procedures have been modified and all journal entries and bank reconciliations are now being approved by an individual other than the employee performing the journal entry or reconciliation. We concur with this action and recommend any other transactions also be reviewed and approved by someone other than the employee performing the transaction.

*Views of Responsibility Officials and Corrective Action Plan:* City staff recognizes the need for appropriate approvals on journal entries, bank reconciliations and other transactions. As such, changes were already implemented in early 2011 and further controls will be added during 2011, with the goal of eliminating the finding.

**SECTION III – FEDERAL AWARD FINDINGS**

There are no federal award findings for 2010.

**SECTION IV – PRIOR YEAR FINDINGS**

There were no federal award findings for 2009.