

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

OLMSTED COUNTY
ROCHESTER, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2010

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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**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

For the Year Ended December 31, 2010



Management and Compliance Report

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

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**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

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**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Olmsted County.
- 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 Olmsted County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements 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."
- E. The Auditor's Report on Compliance for the major federal award programs for Olmsted County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Olmsted County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Highway Planning and Construction	CFDA #20.205
Metropolitan Transportation Planning	CFDA #20.505
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Social Services Block Grant	CFDA #93.667
ARRA - Prevention and Wellness - Communities Putting	
Prevention to Work Funding Opportunities Announcement	CFDA #93.724
Homeland Security Grant Program	CFDA #97.067

- H. The threshold for distinguishing between Types A and B programs was \$440,422.
- I. Olmsted County was not determined to be a low-risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS
COMPLIANCE

ITEM ARISING THIS YEAR

10-1 Davis-Bacon Act (CFDA #20.205 Highway Planning and Construction)

A contractor providing services on a project funded with Federal funds did not submit weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) as required by the Davis-Bacon Act. The certified payrolls were received several months after the work was performed and the contractor had been paid for the services.

The Davis-Bacon Act (23 U.S.C. 113) requires contractors and subcontractors performing on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under recordkeeping for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." This must be completed within seven days after the regular pay date for the pay period.

We recommend that the County comply with Davis-Bacon requirements by having contractors submit the certification and copies of payrolls within seven days after the regular pay date for the pay period.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Curt Bolles

Corrective Action Planned:

All transportation projects will follow the policy of requiring the contractors to submit certified payrolls within seven days of the regular pay date. The Olmsted County Construction Inspector assigned to each project will be responsible for making sure the certified payrolls are submitted within seven days and keeping track of those records. Olmsted County engineering staff attended a prevailing wage training on March 24, 2011.

Anticipated Completion Date:

All construction projects in 2011 will follow this plan.

PREVIOUSLY REPORTED ITEM RESOLVED

Davis-Bacon Act (CFDA #20.205) (09-1)

When reviewing the Davis-Bacon Act compliance requirements for the Highway Planning and Construction grant, we found the Construction Inspector was not interviewing employees from each contractor who worked on the project during the month concerning prevailing wages paid to them.

Resolution

The Construction Inspector is interviewing employees from each contractor working on the project during the month concerning prevailing wages paid to them.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Olmsted County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and 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 are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the 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.
- *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.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- obtain and review a copy of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the County Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

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 the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion, however most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints - restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, for example detailed versus aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Olmsted County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Olmsted County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 10, 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 Olmsted County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Olmsted County did not have any.

The results of our tests indicate that for the items tested, Olmsted County 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 County, and we are reporting it for that purpose.

This report is intended solely for the information and use of the Board of County Commissioners, administrative committee, management, others within Olmsted County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 10, 2011

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

Board of County Commissioners
Olmsted County

Compliance

We have audited Olmsted County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Olmsted County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Olmsted County 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.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as item 10-1.

Internal Control Over Compliance

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

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

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

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 Olmsted County as of and for the year ended December 31, 2010, and have issued our report thereon dated June 10, 2011. Our audit was performed for the purpose of forming opinions on Olmsted County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The SEFA has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Olmsted County'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 County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, Administrative Committee, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 10, 2011

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**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program	Federal CFDA Number	State Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Agriculture WIC Farmers Market Nutrition Program (FMNP)	10.572	N/A	\$ 2,100
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00090	920,359
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A	<u>824,660</u>
Total U.S. Department of Agriculture			<u>\$ 1,747,119</u>
U.S. Department of Commerce			
Passed Through Minnesota Department of Public Safety Public Safety Interoperable Communications Grant Program	11.555	N/A	\$ 3,080
Passed Through Southeast Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	N/A	<u>36,638</u>
Total U.S. Department of Commerce			<u>\$ 39,718</u>
U.S. Department of Housing and Urban Development			
Direct Shelter Plus Care	14.238	N/A	<u>\$ 147,067</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	N/A	\$ 17,478
Violence Against Women Formula Grants	16.588	N/A	10,000
Residential Substance Abuse Treatment for State Prisoners	16.593	N/A	17,940
ARRA - Public Safety Partnership and Community Policing	16.710	N/A	3,832
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	67,109
Passed Through City of Rochester ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	14,084
Direct Part E - Developing, Testing, and Demonstrating Promising New Programs	16.541	N/A	31,111
State Criminal Alien Assistance Program	16.606	N/A	142,030
Bulletproof Vest Partnership Program	16.607	N/A	9,558

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Federal Grantor Pass-Through Agency Grant Program	Federal CFDA Number	State Pass-Through Grantor's Number	Expenditures
U.S. Department of Justice (Continued)			
Passed Through Minnesota Institute of Public Health Enforcing Underage Drinking Laws Program	16.727	N/A	<u>2,070</u>
Total U.S. Department of Justice			\$ 315,212
U.S. Department of Labor			
Passed Through Minnesota Department of Labor and Industry Occupational Safety and Health State Program	17.503	N/A	\$ 4,946
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	N/A	\$ 1,594,201
Passed Through Rochester Olmsted Council of Governments Metropolitan Transportation Planning	20.505	76995	440,000
Highway Safety Cluster			
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	N/A	42,513
Safety Belt Performance Grants	20.609	N/A	40,750
Passed Through The City of Rochester State and Community Highway Safety	20.600	N/A	23,904
Passed Through Minnesota Department of Public Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	<u>15,164</u>
Total U.S. Department of Transportation			\$ 2,156,532
U.S. Environmental Protection Agency			
Passed Through the Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	A03002	\$ 3,739
U.S. Department of Energy			
Passed Through the Minnesota Department of Commerce ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	N/A	\$ 44,746

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Federal Grantor Pass-Through Agency Grant Program	Federal CFDA Number	State Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	12-700-00090	\$ 159,781
Project Grants and Cooperative Agreements for Tuberculosis			
Control Programs	93.116	12-700-00090	4,500
Universal Newborn Hearing Screening	93.251	12-700-00090	950
Immunization Cluster			
Immunization Grants	93.268	12-700-00090	7,300
ARRA - Immunization Grants	93.712	12-700-00090	6,730
Centers for Disease Control and Prevention Investigations and			
Technical Assistance	93.283	12-700-00090	99,248
Temporary Assistance for Needy Families	93.558	12-700-00090	151,441
Refugee and Entrant Assistance - Discretionary Grants	93.576	12-700-00090	5,000
ARRA - Prevention and Wellness - Communities Putting Prevention			
to Work	93.724	12-700-00090	264,817
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00090	131,248
Passed Through Minnesota Department of Commerce			
Low Income Home Energy Assistance (EAP)	93.568	OENM0147	316,810
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	N/A	281,804
Temporary Assistance for Needy Families	93.558	N/A	1,673,566
Child Support Cluster			
Child Support Enforcement	93.563	N/A	2,393,326
ARRA - Child Support Enforcement	93.563	N/A	175,762
Refugee and Entrant Assistance State-Administered Programs	93.566	N/A	104,165
Community Services Block Grant Cluster			
Community Services Block Grant	93.569	00100111-12	149,850
ARRA - Community Services Block Grant	93.710	N/A	117,395
Child Care Mandatory and Matching Funds of the Child Care and			
Development Fund	93.596	N/A	236,525
Foster Care Cluster			
Foster Care Title IV-E	93.658	N/A	633,891
ARRA - Foster Care Title IV-E	93.658	N/A	28,892
Social Services Block Grant	93.667	N/A	706,932
Chafee Foster Care Independence Program	93.674	N/A	20,160
Children's Health Insurance Program	93.767	N/A	16,623
Medical Assistance Program	93.778	N/A	1,604,297
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	168,742
Total U.S. Department of Health and Human Services			\$ 9,459,755

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Federal Grantor Pass-Through Agency Grant Program	Federal CFDA Number	State Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Direct			
Emergency Food and Shelter National Board Program	97.024	N/A	\$ 1,160
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	N/A	13,517
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	211,114
Hazard Mitigation Grant	97.039	N/A	272
Emergency Management Performance Grants	97.042	N/A	65,795
Passed Through Southeast Minnesota Regional Radio Board Interoperable Emergency Communications	97.055	N/A	1,039
Passed Through Minnesota Department of Public Safety Homeland Security Grant Program	97.067	N/A	397,253
Passed Through Southeast Minnesota Region 1 Emergency Managers Homeland Security Grant Program	97.067	N/A	34,915
Passed Through Southeast Minnesota Regional Radio Board Homeland Security Grant Program	97.067	N/A	36,818
Total U.S. Department of Homeland Security			\$ 761,883
Total Expenditures of Federal Awards			\$ 14,680,717

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Olmsted County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Olmsted County under programs of the federal government for the year ended December 31, 2010. 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 Olmsted County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Olmsted County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 14,181,719
Grants received more than 45 days after year-end, deferred in 2010	
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	182,042
Public Safety Interoperable Communications Grant Program	30,298
Highway Planning and Construction	71,891
Federal Transit Metropolitan Planning Grants	101,667
Alcohol-Impaired Driving Countermeasures Incentive Grants	3,113
Temporary Assistance for Needy Families	23,218
Child Support Enforcement	94,824
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	21,355
Foster Care Title IV-E	71,351

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Chafee Foster Care Independence Program	10,080
ARRA Immunization Grants	2,463
Boating Safety Financial Assistance	8,444
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	203,067
Homeland Security Grant Program	27,820
Deferred in 2009, recognized as revenue in 2010	
Residential Substance Abuse Treatment for State Prisoners	(2,528)
Edward Byrne Memorial Justice Assistance Grant Program	(19,986)
Highway Planning and Construction	(40,475)
Federal Transit Metropolitan Planning Grants	(80,217)
Alcohol-Impaired Driving Countermeasures Incentive Grants	(3,020)
Public Health Emergency Preparedness	(28,128)
Child Support Enforcement	(84,600)
Community Services Block Grant	(553)
Medical Assistance Program	(71,800)
Hazard Mitigation Grant	(6,893)
2008 revenue, recognized in 2010	
Highway Planning and Construction	(45,000)
2009 revenue, recognized in 2010	
Foster Care Title IV-E	(3,130)
2009 revenue payback, removed from 2010 revenue	
ARRA - Foster Care Title IV-E	<u>33,695</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 14,680,717</u>

5. Subrecipients

Of the expenditures presented in the schedule, Olmsted County provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
93.596	Child Care Mandatory and Matching Funds	\$ 234,885
93.724	ARRA - Prevention and Wellness - Communities Putting Prevention to Work	<u>26,000</u>
	Total	<u>\$ 260,885</u>

**OLMSTED COUNTY
ROCHESTER, MINNESOTA**

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.