

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT FOR

**OLMSTED COUNTY**  
**ROCHESTER, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2005

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

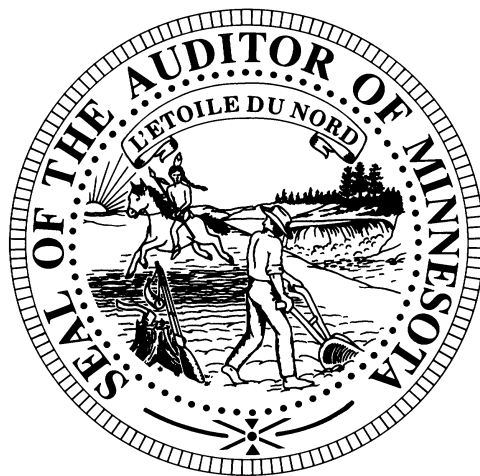
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**OLMSTED COUNTY  
ROCHESTER, MINNESOTA**

**For the Year Ended December 31, 2005**



**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 1**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion 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 Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Olmsted County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |                                   |              |
|-----------------------------------|--------------|
| USDA Rural Development            | CFDA #10.760 |
| Community Development Block Grant | CFDA #14.228 |
| Disease Control and Prevention    | CFDA #93.283 |
| Social Service Block Grant        | CFDA #93.667 |
| Homeland Security Grant Program   | CFDA #97.004 |
- H. The threshold for distinguishing between Types A and B programs was \$470,140.
- I. Olmsted County was 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**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**MINNESOTA LEGAL COMPLIANCE**

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Publishing Board Minutes, Financial Statements, and Claims Paid (03-1)**

Publication of the minutes and financial statements do not include a full list of all claims paid.

**Resolution**

The County is working to change the legislation.





PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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 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, 2005, and have issued our report thereon dated May 16, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## 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 Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

This report is intended solely for the information and use of the Board of Commissioners, management, 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: May 16, 2006



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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of Commissioners  
Olmsted County

Compliance

We have audited the compliance of Olmsted County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. 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 on the County's compliance with those requirements.

In our opinion, Olmsted County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Olmsted County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 16, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: May 16, 2006

**OLMSTED COUNTY  
ROCHESTER, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Supplemental Food Program for Women, Infants, and Children	10.557	18438004	\$ 478,713
Passed Through Minnesota Department of Human Services Food Stamp Administration	10.561	N/A	59,941
Direct USDA Rural Development Grant	10.760	N/A	<u>644,242</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ 1,182,896</b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.228	N/A	\$ 467,280
Passed Through Minnesota Housing Finance Agency Shelter + Care	14.238	N/A	<u>110,755</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 578,035</b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Employment and Economic Development Juvenile Accountability Incentive Block Grant	16.523	N/A	\$ 15,528
Passed Through Minnesota Department of Corrections Crime Victim Assistance Grant, Sexual Assault	16.575	N/A	90,927
Re-entry Services	16.579	N/A	9,818
Residential Substance Abuse Treatment	16.593	N/A	<u>13,382</u>
<b>Total U.S. Department of Justice</b>			<b>\$ 129,655</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	76904	\$ 11,844
Federal Transit Technical Studies Grant	20.505	76995	449,928
State and Community Highway Safety	20.600	N/A	<u>17,416</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ 479,188</b>

**OLMSTED COUNTY  
ROCHESTER, MINNESOTA**

*Schedule 2*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Minnesota Department of Health Air Pollution Control	66.032	8895400200	\$ 20,700
Passed Through Minnesota Pollution Control Agency Feedlot Run-off Reduction Grant	66.460	N/A	11,626
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 32,326</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Tuberculosis Control	93.116	N/A	\$ 16,000
Immunization/Perinatal Hep B	93.268	N/A	6,030
Bioterrorism Preparedness	93.283	N/A	157,675
Steps to a Healthier US	93.283	N/A	233,500
Refugee Health	93.576	N/A	7,500
Maternal and Child Health Services Block Grant	93.994	772-3029	142,405
Passed Through Minnesota Department of Human Services Time Limited Reunification, LIGSS, Altern Response	93.556	N/A	310,091
Temporary Assistance for Needy Families Administrative	93.558	N/A	1,376,335
Low Income Home Energy Assistance (EAP)	93.568	OENM0147	219,615
Community Services Block Grant	93.569	00100111-12	163,885
Child Care and Development	93.596	N/A	5,027,903
Children's Justice Act Grant	93.643	N/A	733
Foster Care Title IV-E	93.658	N/A	564,283
Social Services Block Grant Title XX	93.667	N/A	718,308
Support for Emancipation and Living Functionally (SELF) Grant	93.674	N/A	23,668
Block Grant for Community Mental Health Services	93.958	N/A	54,728
Chemical Dependency Block Grant	93.959	N/A	44,371
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 9,067,030</b>

**OLMSTED COUNTY  
ROCHESTER, MINNESOTA**

*Schedule 2*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety - Emergency Services			
Domestic Preparedness Grant	97.004	N/A	\$ 4,013,110
Emergency Management Performance Grant	97.042	2000-3139	<u>44,089</u>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 4,057,199</b>
<b>Total Cash Awards</b>			<b>\$ 15,526,329</b>
<b>Non-Cash Awards</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Employment and Economic Development			
Well Loan Agreement	14.228	N/A	<u>144,990</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 15,671,319</b>

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**OLMSTED COUNTY  
ROCHESTER, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

I. 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.

II. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

III. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 15,461,027
Federal Transit Technical Studies grant deferred in 2004 and recognized in 2005	(65,536)
Temporary Assistance for Needy Families grant deferred in 2004 and recognized in 2005	(13,317)
Child Care and Development grant deferred in 2004 and recognized in 2005	(265,523)
Child Care and Development grant received more than 60 days after year-end	336,632
Foster Care Title IV-E grant deferred in 2004 and recognized in 2005	(64,976)
Foster Care Title IV-E grant received more than 60 days after year-end	138,022
Well Loan Agreement Non-Cash Awards	144,990
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 15,671,319

IV. Subrecipient of Olmsted County

During 2005, Olmsted County passed \$4,688,830 of \$5,027,903 (CFDA #93.596) money to Child Care Resources and Referral, a subrecipient of Human Services.

Sub-Granted - Human Services	CFDA Number	Expenditures
Child Care Basic Sliding Fee	93.596	\$ 2,404,976
MFIP Child Care	93.596	2,283,854
Total		\$ 4,688,830