

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR

DAKOTA COUNTY
HASTINGS, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

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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**DAKOTA COUNTY
HASTINGS, MINNESOTA**

Year Ended December 31, 2012



Management and Compliance Report

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

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**DAKOTA COUNTY
HASTINGS, MINNESOTA**

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**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Workforce Investment Act (WIA) Dislocated Workers - ARRA	CFDA #17.260
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Social Services Block Grant - Title XX	CFDA #93.667

The threshold for distinguishing between Types A and B programs was \$1,401,080.

Dakota County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-1 Documenting and Monitoring Internal Controls

Criteria: County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. The following significant internal control areas should be documented: cash and investment activities; major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items); expenditure/expense processing, including social services expenditures; and journal entry processing.

Condition: The County has documentation on most of these areas and has begun including the documentation on its internal website. However, with the implementation of a new integrated financial and administrative system, there are changes to the operation of the internal controls. So, the documentation and the risk assessments of the County's internal controls need to be updated. Recently there have been updates made to the documentation of cash and investment activities and the revenue areas.

Context: The County implemented a new integrated financial and administrative system in 2012. This changes how internal controls operate. Therefore, the documentation of the controls and the risk assessment has changed.

Effect: Without risk assessment and monitoring procedures, the County increases its risk of fraud or errors occurring and not being detected. Monitoring of internal controls is necessary to determine controls are in place and operating effectively.

Cause: Due to the time required to implement the new system, the County has not yet completed this project.

Recommendation: We recommend that County management update the documentation of the significant internal controls in its integrated financial and administrative system. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

With the implementation of our new ERP System on January 1, 2012, we have documented our procedures relating to transactions. We have created a central folder on our network drive where all the documentation is to be saved once it is finalized. Most of the documentation for processes, balancing and separation of duties has been completed. These include cash management and accounts payable balancing processes. We are continuing our process to complete the documentation.

ITEM ARISING THIS YEAR

12-1 Bank Reconciliations

Criteria: The cash balance on the general ledger should be reconciled with the cash balance in the bank account on a monthly basis in order to detect errors and irregularities in a timely manner.

Condition: During 2012, the monthly bank balance was not reconciled to the cash balance on the general ledger. The December 2012 reconciliation has been completed, but the 2013 reconciliations are not performed monthly.

Context: The County implemented a new integrated financial and administrative system in 2012. The process of reconciling cash with the new system is more complex.

Effect: Errors that are detected during the reconciliation process are not corrected timely.

Cause: The existing receipting process does not provide an effective cutoff at month-end that can be easily reconciled to bank deposits.

Recommendation: We recommend that the general ledger cash balance be reconciled monthly with the bank account balance. Any differences should be investigated so that errors can be corrected. The County Finance Services Department should implement rules for dating cash receipts so that a month-end cutoff can be achieved. This will make month-end cash reconciliations easier and more timely.

Client Response:

The Manager position of our Cash Management unit was vacant due to a retirement. We have reassigned these duties to a current manager who has an understanding of the new system and has taken the lead to setting up the procedures necessary to balance the cash balance to the bank on a monthly basis.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

12-2 Reporting Income Maintenance Expenses

Program: U.S. Department of Health and Human Service's Supplemental Nutrition Assistance Program (CFDA No. 10.561)

Pass Through Agency: Minnesota Department of Human Services

Criteria: In order to comply with the Federal Compliance Requirement L - Reporting, the County should prepare the Income Maintenance Quarterly Expense Report (DHS-2550) based on the data from the County's general ledger.

Condition: The Excel spreadsheet used each quarter for summarizing general ledger data for the 2012 DHS-2550 report was not updated with the correct amount of rent expense after the first quarter of 2012, so the amount of allocated rent claimed for reimbursement was overstated.

Questioned Costs: None

Context: The County uses an Excel spreadsheet to accumulate and allocate expenses to be claimed on the DHS -2550 and 2556 reports

Effect: The amount claimed for reimbursement on the last three quarterly DHS-2550 expense reports for 2012 was overstated by \$138,465.

Cause: The amount of rent charged for the space used by the Employment and Economic Assistance Department in County facilities was changed, but the spreadsheet was not updated nor was it reviewed before preparing the report.

Recommendation: We recommend that the County develop written internal controls and written policies and procedures to ensure that the cost allocation Excel worksheet is updated each quarter and reviewed before preparing the DHS-2550 report.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Tara Zgoda, Financial Analyst

Corrective Action Planned:

Adjust the current Income Maintenance Report to reflect the error.

Anticipated Completion Date:

Completed on the 1st Quarter Report filing on April 19, 2013.

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

Independent Auditor's Report

Board of County Commissioners
Dakota County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dakota County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 2013. Other auditors audited the financial statements of the Dakota County Community Development Agency, as described in our report on Dakota County's financial statements. This report does not include the results of the other auditor's testing of internal control over the financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dakota County's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 07-1 and 12-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dakota 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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Dakota County does not use tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Dakota County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Dakota County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of Dakota County in a separate letter dated July 31, 2013.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

July 31, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Dakota County

Report on Compliance for Each Major Federal Program

We have audited Dakota 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 the County's major federal programs for the year ended December 31, 2012. Dakota County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Dakota County's basic financial statements include the operations of the Dakota County Community Development Agency component unit, which expended \$21,822,977 in federal awards during the year ended June 30, 2012, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Community Development Agency because it had a separate single audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dakota County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Dakota 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Dakota County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 12-2. Our opinion on each major federal program is not modified with respect to these matters.

Dakota County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Dakota County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Dakota County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-2 that we consider to be a significant deficiency.

Dakota County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Dakota County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Dakota County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated July 31, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 31, 2013

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Direct			
Farm and Ranch Lands Protection Program	10.913	\$ 722,446	\$ -
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,303,953	-
Passed Through Minnesota Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	15,868	-
National School Lunch Program	10.555	24,151	-
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>1,696,503</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>\$ 3,762,921</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants - Entitlement Grants Cluster			
Community Development Block Grant - Entitlement Grants	14.218	\$ 1,763,198	\$ 1,763,198
Community Development Block Grant -- ARRA	14.253	76,573	76,573
Supportive Housing Program	14.235	437,565	-
HOME Investment Partnerships Program	14.239	914,860	914,860
Homelessness Prevention and Rapid Re-Housing Program -- ARRA	14.257	184,906	-
Asthma Interventions in Public and Assisted Multifamily Housing	14.914	<u>5,690</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 3,382,792</u>	<u>\$ 2,754,631</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Juvenile Accountability Block Grants	16.523	\$ 98,406	\$ -
Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	82,846	-

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)			
Direct			
Edward Byrne Memorial Formula Grant Program	16.579	82,851	-
Drug Court Discretionary Grant Program	16.585	64,214	-
State Criminal Alien Assistance Program	16.606	36,292	-
Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program -			
Grants to Units of Local Government -- ARRA	16.804	53,349	-
Equitable Sharing Program	16.922	78,777	-
Total U.S. Department of Justice		\$ 496,735	\$ -
U.S. Department of Labor			
Passed Through Minnesota Department of Employment and Economic Development			
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	\$ 238,648	\$ 197,419
WIA Youth Activities	17.259	483,612	406,877
WIA Dislocated Worker Formula Grants	17.278	481,162	389,935
WIA Dislocated Workers -- ARRA	17.260	216,655	179,010
Workforce Investment Act (WIA) National Emergency Grants	17.277	350,567	245,445
Total U.S. Department of Labor		\$ 1,770,644	\$ 1,418,686
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	\$ 14,218,998	\$ -
Highway Planning and Construction -- ARRA	20.205	405,187	-
(Total Highway Planning and Construction 20.205 \$14,624,185)			
Technical Assistance Grants	20.710	50,000	-
Total U.S. Department of Transportation		\$ 14,674,185	\$ -
U.S. Environmental Protection Agency			
Passed Through Minnesota Pollution Control Agency			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	\$ 218,458	\$ -

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	\$ 337,597	\$ -
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	670	-
Universal Newborn Hearing Screening	93.251	4,975	-
Immunization Cooperative Agreements	93.268	10,120	-
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	325,356	-
(Total Temporary Assistance for Needy Families 93.558 \$3,173,546)			
Maternal and Child Health Services Block Grant to the States	93.994	276,783	-
Passed Through Minnesota Department of Human Services			
Guardianship Assistance -- ARRA	93.090	65,058	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	30,428	-
Promoting Safe and Stable Families	93.556	156,101	-
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	2,848,190	-
(Total Temporary Assistance for Needy Families 93.558 \$3,173,546)			
Emergency Contingency Fund for TANF State Program -- ARRA	93.714	159,522	-
Child Support Enforcement	93.563	7,587,218	-
Child Care and Development Block Grant	93.575	429,291	-
Community-Based Child Abuse Prevention Grants	93.590	145,958	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	19,443	-
Foster Care Title IV-E	93.658	230,198	-
Adoption Assistance	93.659	362,113	-
Social Services Block Grant	93.667	1,423,649	-
Chafee Foster Care Independence Program	93.674	59,308	-
Medical Assistance Program	93.778	6,586,746	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	120,494	-
Total U.S. Department of Health and Human Services		\$ 21,179,218	\$ -
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Boating Safety Financial Assistance	97.012	\$ 12,741	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	109,209	-
Hazard Mitigation Grant	97.039	134,104	-
Emergency Management Performance Grants	97.042	51,111	-
Homeland Security Grant Program	97.067	861,716	-
Total U.S. Department of Homeland Security		\$ 1,168,881	\$ -
 Total Federal Awards		 \$ 46,653,834	 \$ 4,173,317

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
Vermillion River Watershed District (Component Unit)			
U.S. Environmental Protection Agency			
Passed through Minnesota Pollution Control Agency			
Nonpoint Source Implementation Grants	66.460	<u>\$ 48,842</u>	<u>\$ -</u>

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Dakota County. The County's reporting entity is defined in Note I to the financial statements. Dakota County's financial statements include the operations of the Dakota County Community Development Agency (the CDA) component unit, which expended \$21,822,977 in federal awards during the year ended June 30, 2012, which are not included in the Schedule of Expenditures of Federal Awards. The CDA has its own single audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Dakota County under programs of the federal government for the year ended December 31, 2012. 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 Dakota County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Dakota 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 grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Child Nutrition Cluster	\$ 40,019
CDBG - Entitlement Grants Cluster	1,839,771
JAG Program Cluster	136,195
WIA Cluster	1,203,422
Highway Planning and Construction Cluster	14,624,185
Temporary Assistance for Needy Families (TANF) Cluster	3,333,068

**DAKOTA COUNTY
HASTINGS, MINNESOTA**

5. 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.