

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**MANAGEMENT AND COMPLIANCE REPORT**

**CARVER COUNTY**  
**CHASKA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2016**

## **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 150 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 650 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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**CARVER COUNTY  
CHASKA, MINNESOTA**

**Year Ended December 31, 2016**



**Management and Compliance Report**

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

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**CARVER COUNTY  
CHASKA, MINNESOTA**

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REBECCA OTTO  
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***

### Independent Auditor's Report

Board of County Commissioners  
Carver County  
Chaska, Minnesota

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Carver County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the Carver County Community Development Agency, the discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carver County's internal control over financial reporting to determine the audit 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carver County's financial statements are free from 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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: 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 Carver County has no tax increment financing districts.



In connection with our audit, nothing came to our attention that caused us to believe that Carver County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 2013-001 and 2015-002. 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.

### **Carver County's Response to Findings**

Carver County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. 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.

### **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 Counties* 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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 15, 2017

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REBECCA OTTO  
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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

### Independent Auditor's Report

Board of County Commissioners  
Carver County  
Chaska, Minnesota

### **Report on Compliance for the Major Federal Program**

We have audited Carver County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2016. Carver County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Carver County's basic financial statements include the operations of the Carver County Community Development Agency component unit, which expended \$8,300,755 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Carver County Community Development Agency because the Carver County Community Development Agency had a separate single audit in accordance with the Uniform Guidance.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Carver County's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Carver 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

As described in the accompanying Schedule of Findings and Questioned Costs, Carver County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program as described in finding number 2016-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Carver County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2016.

Carver County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Carver 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 Carver 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a material weakness.

Carver County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Carver 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 the Uniform Guidance**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Carver County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated August 15, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Carver County Community Development Agency component unit, which was audited by other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carver County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis 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. Such 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 the Uniform Guidance. 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

August 15, 2017

**CARVER COUNTY  
CHASKA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Medical Assistance Program

CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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

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

### INTERNAL CONTROL

#### ITEM ARISING THIS YEAR

Finding Number 2016-001

#### Prior Period Adjustment

**Criteria:** 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 of the financial statements on a timely basis. One indication of a material weakness in internal control is restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

**Condition:** During our audit, we identified a prior period adjustment that resulted in a material change to the County's financial statements. The prior period adjustment to restate the County's financial statements was reviewed and approved by the appropriate County staff and is reflected in the financial statements.

**Context:** In 2015, the County sold park land to the Minnesota Department of Natural Resources for the development and operation of a public water access. In order to remove a restrictive covenant on the property, the County was required to reimburse the Metropolitan Council and the Legislative Citizen's Commission on Minnesota Resources for funding that was provided to finance the initial land acquisition. This obligation, resulting from the sale that occurred in 2015, was not recognized as a liability in the year ended December 31, 2015, financial statements.

**Effect:** The January 1, 2016, net position of the governmental activities and fund balance of the Parks and Trails Capital Improvement Capital Projects Fund were restated (decreased) by \$360,896.

**Cause:** An oversight in identification of amounts due to other governments.

**Recommendation:** We recommend County staff review the financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur



### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

#### ITEM ARISING THIS YEAR

Finding Number 2016-002

#### Program Eligibility Intake Function

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. The following exceptions were detected in our sample of 40 case files tested for eligibility:

- for eight case files, the asset information in MAXIS did not match the supporting documentation provided by the client; and
- for two case files, the income information in MAXIS did not match the supporting documentation provided by the client.

The asset and income information was verified by County staff, but the MAXIS system was not changed to reflect the updated information.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County Human Services Department to perform the "intake function" (meeting with the social service clients to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Effect:** The absence of updating the MAXIS system with the updated eligibility supporting documentation factors increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input or updated correctly.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is maintained in case files and is properly input or updated in MAXIS.

**View of Responsible Official:** Concur

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2013-001

##### Individual Ditch System Deficits

**Criteria:** Drainage system costs are required by Minn. Stat. § 103E.655 to be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

**Condition:** The County had individual ditch systems with deficit cash balances at December 31, 2016.

**Context:** At December 31, 2016, ten ditch systems had negative cash balances totaling \$83,904.

**Effect:** The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances.

**Cause:** Expenditures have been made for ditch systems with insufficient cash to cover the expenditures.

**Recommendation:** We recommend the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655.

**View of Responsible Official:** The County's Property and Financial Services Director continues to disagree with the State Auditor's opinion that Minnesota statutes require individual ditch systems to maintain positive cash balances. Thus, when a ditch system has made expenditures with insufficient cash to cover the expenditures, the County's view from a transparency, awareness, and accountability perspective is that it is preferable that the resulting cash deficits are clearly presented in the County's financial statements.

Finding Number 2015-002

Ditch Special Revenue Fund Deficit

**Criteria:** As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Property and Financial Services Director. The County Board has oversight responsibilities for the property, funds, and business of the County. The Board should be notified if a fund does not have sufficient money available to cover expenditures so that it can provide temporary or permanent resources as needed for the fund.

**Condition:** As of December 31, 2016, the Ditch Special Revenue Fund had a deficit cash balance.

**Context:** At December 31, 2016, the Ditch Special Revenue Fund had a negative cash balance totaling \$30,824.

**Effect:** Allowing payment of expenditures from the Ditch Special Revenue Fund when cash balances were not available resulted in deficit cash balances in this fund, which is inconsistent with Minn. Stat. § 385.04.

**Cause:** The Ditch Special Revenue Fund did not have sufficient resources to cover expenditures, as ditch levies were not sufficient to cover the ditch work performed. Temporary transfers as allowed by Minn. Stat. § 385.32 were not recommended by the County Property and Financial Services Director.

**Recommendation:** We recommend the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit when a payment is made from that fund.

**View of Responsible Official:** Maintaining a positive cash balance for the Ditch Special Revenue Fund is a systemic challenge and unavoidable in certain circumstances. The County Property and Financial Services Director recommended and the County Board approved a 2017 ditch levy of over \$227,000 to address ongoing ditch maintenance projects as well as the December 31, 2016, cash deficit in the Ditch Special Revenue Fund. The County's view from a transparency, awareness, and accountability perspective is that it is preferable for a cash deficit in a Ditch Special Revenue Fund to be clearly presented in the County's financial statements.

**V. PREVIOUSLY REPORTED ITEM RESOLVED**

2015-001 Audit Adjustment

**REPRESENTATION OF CARVER COUNTY  
CHASKA, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2013-001**

**Finding Title: Individual Ditch System Deficits**

Name of Contact Person Responsible for Corrective Action:

David Frischmon, Property & Financial Services Director

Corrective Action Planned:

Carver County continually reviews the individual ditch systems and on an annual basis landowners' assessments are analyzed and determined. The County continues to be more proactive on determining future repair and maintenance needs as well as more aggressive on eliminating negative balances.

Anticipated Completion Date:

Ongoing

**Finding Number: 2015-002**

**Finding Title: Ditch Special Revenue Fund Deficit**

Name of Contact Person Responsible for Corrective Action:

David Frischmon, Property & Financial Services Director

Corrective Action Planned:

Carver County has had recent redeterminations that have affected cash flows. Special assessments have been set up to replenish the ditch balances, but payments going out superseded the funds coming in. The County continues to be more proactive on determining future repair and maintenance needs as well as more aggressive on eliminating negative balances.

Anticipated Completion Date:

Ongoing

**Finding Number: 2016-001**  
**Finding Title: Prior Period Adjustment**

Name of Contact Person Responsible for Corrective Action:

Mary Kaye Wahl, Assistant Financial Services Director

Corrective Action Planned:

To meet the growing needs and demands of the Finance Department, the County Board approved an accountant position in the 2017 Budget. This new position was filled in January 2017 and will help implement stronger internal controls over year-end review to ensure that the financial statements are accurate, complete, and fairly presented in accordance with generally accepted accounting principles.

Anticipated Completion Date:

Ongoing

**Finding Number: 2016-002**  
**Finding Title: Program Eligibility Intake Function**  
**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Persons Responsible for Corrective Action:

Julie Holtz, Financial Supervisor  
Gwen Jansen, Income Support Manager

Corrective Action Planned:

We have received clarification of the policy through Healthquest regarding whether eligibility workers should require verification of the value of assets with renewals for SSI recipients. Upon receipt of the policy interpretation, workers have been instructed to verify assets with renewals. This will be reviewed with random case reviews for Medical Assistance cases.

Anticipated Completion Date:

Practice has already changed and we will continue to check verifications at renewals.

**REPRESENTATION OF CARVER COUNTY  
CHASKA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2013-001**

**Finding Title: Individual Ditch System Deficits**

**Summary of Condition:** The County had individual ditch systems with deficit cash balances and deficit fund balances at December 31, 2015.

**Summary of Corrective Action Previously Reported:** In 2016, one-year ditch repair liens will be levied. JD3A has a multiple year assessment, due to a redetermination that was paid out in 2014-2015. County Staff continue to address individual ditch systems with deficit cash and fund balances.

**Status:** Partially Corrected. The individual deficit fund balances were not significant as reported on December 31, 2016. The County is monitoring the activity to improve the negative fund balances reported in the financial statements as evidenced by the County Board approving a 2017 ditch levy of \$227,000. The deficit cash balances continue as of December 31, 2016.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   X  

**Finding Number: 2015-001**

**Finding Title: Audit Adjustment**

**Summary of Condition:** During the 2015 audit, an audit adjustment was proposed that resulted in a change to Carver County's financial statements.

**Summary of Corrective Action Previously Reported:** The County will review the process of determining restrictions to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   X

**Finding Number: 2015-002**

**Finding Title: Ditch Special Revenue Fund Deficit**

**Summary of Condition:** As of December 31, 2015, the Ditch Special Revenue Fund had a deficit cash balance and deficit fund balance.

**Summary of Corrective Action Previously Reported:** In 2016, one-year ditch repair liens will be levied and payments on the JD3A multiple year assessment are anticipated, which is expected to eliminate the negative cash balance for the Ditch Special Revenue Fund, as of December 31, 2016. County staff continue to address individual ditch systems with deficit cash and fund balances.

**Status:** Partially Corrected. The deficit fund balance as of December 31, 2016 was not significant to the fund. The County is monitoring the activity to improve the negative fund balance reported in the financial statements. The cash deficit continues to exist in the Ditch Special Revenue Fund as of December 31, 2016.

Carver County has had recent redeterminations that have affected cash flows. Special assessments have been set up to replenish the ditch balances. But, the payments going out superseded the funds coming in.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No  X



**CARVER COUNTY  
CHASKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<b>\$ 449,506</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Direct				
Bulletproof Vest Partnership Program	16.607	N/A	\$ 8,661	\$ -
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	A-T2JABG-2016- CARVERCS	5,300	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	F-JAG-2014- CARVERCO	106,107	-
<b>Total U.S. Department of Justice</b>			<b>\$ 120,068</b>	<b>\$ -</b>
<b>U.S. Department of Labor</b>				
Passed Through Hennepin County, Minnesota WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	5093100/6093100	\$ 63,923	\$ -
WIA/WIOA Youth Activities	17.259	5093600/6093600	117,591	-
WIA/WIOA Dislocated Worker Formula Grants (Total expenditures for WIA/WIOA Cluster \$241,115)	17.278	5098000/6098000	59,601	-
<b>Total U.S. Department of Labor</b>			<b>\$ 241,115</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00010	\$ 1,378,491	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFORC16-2016- CARVERSO	5,709	1,924
State and Community Highway Safety	20.600	A-ENFORC17-2017- CARVERSO	214	-
(Total State and Community Highway Safety 20.600 \$5,923)				
National Priority Safety Programs	20.616	A-ENFORC16-2016- CARVERSO	41,914	1,374
National Priority Safety Programs	20.616	A-ENFORC17-2017- CARVERSO	2,273	273
(Total National Priority Safety Programs 20.616 \$44,187)				
(Total expenditures for Highway Safety Cluster \$50,110)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFORC16-2016- CARVERSO	4,929	1,517
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFORC17-2017- CARVERSO	1,652	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$6,581)				
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,435,182</b>	<b>\$ 5,088</b>

**CARVER COUNTY  
CHASKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Institute of Museum and Library Services</b>				
Passed Through Minnesota Department of Education Grants to States	45.310	S-20160930	\$ 4,397	\$ -
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	75299	\$ 1,933	\$ -
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	12-700-000062	\$ 85,656	\$ -
Universal Newborn Hearing Screening	93.251	12-700-000062	2,125	-
Immunization Cooperative Agreements	93.268	12-700-000062	4,000	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	12-700-000062	1,750	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$364,814)	93.558	2015G996115	20,929	-
Maternal and Child Health Services Block Grant to the States	93.994	12-700-000062	57,964	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPS	16,205	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$364,814)	93.558	1601MNTANF	343,885	-
Child Support Enforcement	93.563	1604MNCEST	953,394	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,129,686)	93.563	1604MNCSES	176,292	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRMA	416	-
Child Care and Development Block Grant	93.575	G-1601MNCCDF	50,737	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	24,291	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	9,330	-
Foster Care - Title IV-E	93.658	1601MNFOST	416,374	-
Social Services Block Grant	93.667	16-01MNSOSR	341,719	-
Medical Assistance Program	93.778	05-1605MN5ADM	2,731,851	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,748,965)	93.778	05-1605MN5MAP	17,114	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 5,254,032</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGSFY15	\$ 7,625	\$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2016- CARVERCO	51,131	-
Homeland Security Grant Program	97.067	A-UASI-2014- CARVERCO	38,914	-
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$67,586)	97.067	A-UASI-2015- CARVERCO	28,672	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 126,342</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 7,632,575</b>	<b>\$ 5,088</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CARVER COUNTY  
CHASKA, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Carver County. Carver County's financial statements include the operations of the Carver County Community Development Agency (CDA) component unit, which expended \$8,300,755 in federal awards during the year ended December 31, 2016, which are not included in the Schedule of Expenditures of Federal Awards. The Carver County CDA has its own single audit. 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 Carver County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Carver County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carver 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Carver County has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CARVER COUNTY  
CHASKA, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,889,588
Grants received more than 60 days after year-end, unavailable in 2016	
Highway Planning and Construction (CFDA #20.205)	38,133
Promoting Safe and Stable Families (CDFA #93.556)	1,670
Temporary Assistance for Needy Families (CDFA #93.558)	5,404
Community-Based Child Abuse Prevention Grants (CDFA #93.590)	4,352
Stephanie Tubbs Jones Child Welfare Services Program (CDFA #93.645)	1,610
Maternal and Child Health Services Block Grant to the States (CDFA #93.994)	17,132
Homeland Security Grant Program (CDFA #97.067)	6,127
Unavailable in 2015, recognized as revenue in 2016	
Highway Planning and Construction (CFDA #20.205)	(470,878)
Temporary Assistance for Needy Families (CDFA #93.558)	(12,138)
Collaborative Grants (receipted into an agency fund)	
Foster Care - Title IV-E (CFDA #93.658)	73,736
Medical Assistance (CFDA #93.778)	77,839
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Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 7,632,575</u>