

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**MANAGEMENT AND COMPLIANCE REPORT**

**BECKER COUNTY**  
**DETROIT LAKES, 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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**BECKER COUNTY  
DETROIT LAKES, 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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**BECKER COUNTY  
DETROIT LAKES, 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  
Becker County  
Detroit Lakes, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2016, including the Sunnyside Care Center as of and for the year ended September 30, 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 September 14, 2017. Our report includes a reference to other auditors who audited the financial statements of the Sunnyside Care Center 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 Becker 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 that we consider to be a material weakness and an item that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2010-002 to be a material weakness and item 1996-007 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Becker 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 Becker County administers no tax increment financing districts.



In connection with our audit, nothing came to our attention that caused us to believe that Becker County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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.

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

Becker County's responses to the internal control 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

September 14, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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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  
Becker County  
Detroit Lakes, Minnesota

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

We have audited Becker 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. Becker County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***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 Becker 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 Becker 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.

***Opinion on the Major Federal Program***

In our opinion, Becker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

Management of Becker 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County, Minnesota, as of and for the year ended December 31, 2016, including the Sunnyside Care Center as of and for the year ended September 30, 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 September 14, 2017, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Sunnyside Care Center, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Becker 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

September 14, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**BECKER COUNTY  
DETROIT LAKES, 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? **Yes**

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

**Federal Awards**

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
Recreational Trails Program	CFDA No. 20.219

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

Becker 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 ITEMS NOT RESOLVED

Finding Number 1996-007

#### Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Becker County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** This is not unusual in operations the size of Becker County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County informed us that the individual departments collecting fees have limited staff, making the segregation of duties difficult.

**Recommendation:** We recommend Becker County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

**View of Responsible Official:** Acknowledged



Finding Number 2010-002

Accounts Receivable

**Criteria:** Becker County should have an accounts receivable policy to provide for a process for collecting receivables not paid timely. The policy should provide steps for rebilling receivables, a process for determining a reasonable allowance for doubtful accounts, and an approval process for writing off receivables determined uncollectible.

**Condition:** The Human Services Special Revenue Fund tracks accounts receivable for foster care placement fees, parental fees, daycare overpayments and fees, and other miscellaneous fees through the County Collection System Trial Balance. The County Collection System Trial Balance includes a significant balance forward from previous years, which is included in the total Human Services receivables reported in the County's financial statements. The likelihood of collection diminishes each year, and the County has not estimated an uncollectible amount for financial statement purposes.

**Context:** The nature of some of these receivables cause them to be unlikely to be collected, even in the year they are recorded.

**Effect:** The County is reporting receivables in the Human Services Special Revenue Fund that likely may never be collected.

**Cause:** The County recognizes a receivable for the fee when the service is provided. While it is important for the County to keep track of these receivables and continue its efforts in collecting them, the reporting of them in the financial statements may be misleading.

**Recommendation:** The County Board should establish a policy for the recognition of an uncollectible amount for financial reporting purposes.

**View of Responsible Official:** Acknowledged

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

None.

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**REPRESENTATION OF BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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

**Finding Number: 1996-007**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Elected Officials and management

Corrective Action Planned:

Becker County is aware of the segregation of duties issue. Becker County has implemented comprehensive internal controls.

Anticipated Completion Date:

N/A

**Finding Number: 2010-002**

**Finding Title: Accounts Receivable**

Name of Contact Person Responsible for Corrective Action:

Human Services Director

Corrective Action Planned:

To review and ensure accounts receivable are accurate and measurable.

Anticipated Completion Date:

This process has been started and should be completed by December 31, 2018.

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**REPRESENTATION OF BECKER COUNTY  
DETROIT LAKES, MINNESOTA**

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

**Finding Number: 1996-007**

**Finding Title: Segregation of Duties**

**Summary of Condition:** Due to the limited number of personnel within several Becker County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collection, recording, and depositing receipts as well as reconciling bank accounts.

**Summary of Corrective Action Previously Reported:** Becker County is aware of the segregation of duties issue. Becker County has implemented comprehensive internal controls.

**Status:** Not Corrected. Please see Corrective Action Plan.

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

Yes \_\_\_\_\_ No   X  

**Finding Number: 2010-002**

**Finding Title: Accounts Receivable**

**Summary of Condition:** The Human Services Special Revenue Fund tracks accounts receivable for foster care placement fees, parental fees, daycare overpayments and fees, and other miscellaneous fees through the County Collection System Trial Balance. The County Collection System Trial Balance includes a significant balance forward from previous years, which is included in the total Human Services receivables reported in the County's financial statements. The likelihood of collection diminishes each year, and the County has not estimated an uncollectible amount for financial statement purposes.

**Summary of Corrective Action Previously Reported:** The accounts receivable policy for the Human Services Special Revenue Fund will be reviewed to ensure accuracy in the financial statements.

**Status:** Not Corrected. Please see Corrective Action Plan.

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

Yes \_\_\_\_\_ No   X

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**BECKER COUNTY  
DETROIT LAKES, 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>U.S. Department of Agriculture</b>			
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 199,890
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>289,815</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ 489,705</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct			
Public and Indian Housing	14.850	N/A	\$ 55,358
Section 8 Housing Choice Vouchers	14.871	N/A	141,350
Public Housing Capital Fund	14.872	N/A	<u>34,366</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 231,074</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	53490	\$ 27,370
Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$1,287,076) (Total Highway Planning and Construction Cluster \$1,322,361)	20.205	1002891	1,259,706
Formula Grants for Rural Areas	20.509	07174	91,319
Passed Through Minnesota Department of Natural Resources			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	0038-14-1A	14,213
Recreational Trails Program (Total Recreational Trails Program 20.219 \$35,285) (Total Highway Planning and Construction Cluster \$1,322,361)	20.219	0039-14-1A	21,072
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFR15-2016- BECKERSO-1976	9,404
National Priority Safety Programs (Total Highway Safety Cluster \$73,657)	20.616	F-ENFR15-2016- BECKERSO-1976	<u>64,253</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,487,337</b>
<b>U.S. Department of Education</b>			
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families	84.181	Not Provided	<u>\$ 1,933</u>

**BECKER COUNTY  
DETROIT LAKES, 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>U.S. Department of Health and Human Services</b>			
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	90858	\$ 20,124
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Not Provided	23
Universal Newborn Hearing Screening	93.251	Not Provided	875
Immunization Cooperative Agreements	93.268	58583	2,400
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	87929	397,484
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	Not Provided	3,990
Temporary Assistance for Needy Families	93.558	95995	44,082
(Total Temporary Assistance for Needy Families 93.558 \$301,308)			
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	27,968
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	75,337
Temporary Assistance for Needy Families	93.558	1601MNTANF	257,226
(Total Temporary Assistance for Needy Families 93.558 \$301,308)			
Child Support Enforcement	93.563	1604MNCSES	80,972
Child Support Enforcement	93.563	1604MNCES	921,507
(Total Child Support Enforcement 93.563 \$1,002,479)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	270
Child Care and Development Block Grant	93.575	G1601MNCDF	10,843
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	8,088
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,080
Foster Care Title IV-E	93.658	1601MNFOS	449,771
Social Services Block Grant	93.667	16-01MNSOSR	306,074
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	9,798
Medical Assistance Program	93.778	05-1605MN5ADM	1,290,711
Medical Assistance Program	93.778	05-1605MN5MAP	14,018
(Total Medical Assistance Program 93.778 \$1,304,729)			
Block Grants for Community Mental Health Services	93.958	SM010027-16	10,923
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,938,564</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	BECKER FBG-100716	\$ 13,304
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016- BECKERCO-1844	28,557
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 41,861</b>
<b>Total Federal Awards</b>			<b>\$ 6,190,474</b>

Becker County did not pass any federal awards through to subrecipients in 2016.



**BECKER COUNTY  
DETROIT LAKES, 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 Becker County and the Becker County Economic Development Authority, a component unit of the County. For the year ended December 31, 2016, the level of federal funding for the Becker County Economic Development Authority did not require a separate single audit to be performed for the component unit. The County's and the Economic Development Authority's reporting entities are defined in Notes 1 and 7 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Becker 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 Becker County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Becker 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. Becker County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,905,459
Grants received more than 60 days after year-end, considered unavailable revenue in 2016	
Highway Planning and Construction (CFDA No. 20.205)	<u>285,015</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 6,190,474</u>