

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

BECKER COUNTY
DETROIT LAKES, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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 700 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

Year Ended December 31, 2014



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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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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? **No**

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
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	CFDA #93.505
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

Becker County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 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.

Client's Response:

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

Finding 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 financial statements. The likelihood of collection diminishes each year, and the County has not estimated an uncollectible amount for financial statement purposes.

Context: At the fund level, the accounts receivable account is offset by a deferred inflows of resources for the unavailable portion, so there is no impact on fund balance. The accounts receivable are not material to the government-wide financial statements.

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 agency to keep track of these receivables and continue their 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.

Client's Response:

The accounts receivable policy for the Human Services Special Revenue Fund will be reviewed to ensure accuracy in the financial statements.

PREVIOUSLY REPORTED ITEMS RESOLVED

Audit Adjustments (2012-001)

During our audit, we identified adjustments that resulted in significant changes to the County's financial statements.

Resolution

For 2014, no adjustments were identified that resulted in significant changes to the County's financial statements.

Posting Revenues and Expenditures to Accrual Accounts (2013-001)

Becker County Human Services posts certain collections, as well as the corresponding disbursements, to asset or liability accrual accounts, instead of to revenue or expenditure accounts. The types of revenues and expenditures posted to accrual accounts include Medical Assistance (MA) recoveries, donations, and some intergovernmental reimbursements and grants.

Resolution

In 2014, Becker County Human Services made adjustments to close most of the accrual accounts, adjusting fund balance for the net balance of each account. The remaining accrual account used by Becker County Human Services accounts for MA recoveries which a majority of the collections are remitted to the State of Minnesota.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS RESOLVED

**Eligibility Testing, Medical Assistance Program (CFDA No. 93.778)
(2013-002)**

The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the Medical Assistance Program, we noted several instances in which documentation in case files was missing or did not match the information in MAXIS.

Resolution

During our review of the Medical Assistance Program for 2014, all necessary documentation was on file to support the information inputted into the MAXIS system.

**Identification of Federal Awards (State Administrative Matching Grants for
the Supplemental Nutrition Assistance Program (CFDA No. 10.561),
Highway Planning and Construction (CFDA No. 20.205), and Medical
Assistance Program (CFDA No. 93.778)) (2013-003)**

The County did not adequately identify amounts expended for federal awards on the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The SEFA was accurately prepared by Becker County for 2014.

Approval of Claims (State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)), Child Support Enforcement (CFDA No. 93.563), and Medical Assistance Program (CFDA No. 93.778) (2013-004)

During our testing of controls over U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561), U.S. Department of Health and Human Services' Child Support Enforcement (CFDA No. 93.563), and U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), we noted 5 of the 13 non-payroll transactions tested had no documented supervisor review and approval of the claim.

Resolution

All claims tested for 2014, after the County was informed of the lack of review, were reviewed and approved by the County Administrator. The County Administrator was assigned the responsibility for the review of claims in absence of a Social Services Director.

IV. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Becker County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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, 2014, including the Sunnyside Care Center as of and for the year ended September 30, 2014, 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 28, 2015. 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.

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 1996-007 and 2010-002, that we consider to be significant deficiencies.

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 Political Subdivisions*, 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 has no tax increment financing.

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 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

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and we are reporting it for that purpose.

Becker County's Response to Findings

Becker County's 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.

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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2015

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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 OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Becker County
Detroit Lakes, Minnesota

Report on Compliance for Each 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) *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, 2014. Becker County's major federal programs are 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 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 Becker 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 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 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, 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 each of its major federal programs for the year ended December 31, 2014.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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, material weaknesses may exist that have not been identified.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Becker County as of and for the year ended December 31, 2014, 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 28, 2015, 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 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

September 28, 2015

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**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 196,101
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	383,132
Total U.S. Department of Agriculture		\$ 579,233
U.S. Department of Housing and Urban Development		
Direct		
Public and Indian Housing	14.850	\$ 79,182
Section 8 Housing Choice Vouchers	14.871	208,134
Public Housing Capital Fund	14.872	34,195
Total U.S. Department of Housing and Urban Development		\$ 321,511
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	\$ 58,781
Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas	20.509	104,365
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	26,320
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	25,806
Total U.S. Department of Transportation		\$ 215,272
U.S. Department of Education		
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	\$ 1,526

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 12,152
Immunization Cooperative Agreements	93.268	2,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	700
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	434,869
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	770
Temporary Assistance for Needy Families	93.558	45,935
(Total Temporary Assistance for Needy Families 93.558 \$593,396)		
Maternal and Child Health Services Block Grant to the States	93.994	36,010
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	89,368
Temporary Assistance for Needy Families	93.558	547,461
(Total Temporary Assistance for Needy Families 93.558 \$593,396)		
Child Support Enforcement	93.563	764,711
Refugee and Entrant Assistance - State Administered Programs	93.566	1,807
Child Care and Development Block Grant	93.575	11,510
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	781
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,756
Foster Care Title IV-E	93.658	370,069
Social Services Block Grant	93.667	305,107
Chafee Foster Care Independence Program	93.674	13,064
Children's Health Insurance Program	93.767	173
Medical Assistance Program	93.778	1,226,873
Block Grants for Community Mental Health Services	93.958	15,480
Total U.S. Department of Health and Human Services		\$ 3,881,596
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 25,953
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	7,272
Emergency Management Performance Grants	97.042	27,089
Total U.S. Department of Homeland Security		\$ 60,314
Total Federal Awards		\$ 5,059,452

**BECKER COUNTY
DETROIT LAKES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Becker County under programs of the federal government for the year ended December 31, 2014. 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 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 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. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,329,411
Grants deferred in 2013, recognized as revenue in 2014	
Highway Planning and Construction (CFDA #20.205)	<u>(269,959)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,059,452</u>

5. Subrecipients

Becker County did not pass any federal awards through to subrecipients in 2014.