

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

SHERBURNE COUNTY
ELK RIVER, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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.

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**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

Year Ended December 31, 2015



Management and Compliance Report

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

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**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

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**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 GAAP: **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? **None reported**

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

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

The major program is:

Highway Planning and Construction

CFDA No. 20.205

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

Sherburne 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 2015-001

Employee Expense Reimbursement Claims

Criteria: County staff are required to follow the County's Travel Policies included in its Accounting Policies and Procedures Handbook.

Condition: As part of our testing of the County's disbursements system, we examined 20 employee expense reimbursement claims and noted the following:

- Two instances where there was no documentation of pre-approval by the Board of Commissioners for out-of-state travel. Item 19.5.2.3. of the County's Travel Policy contained in section D of the Accounting Policies and Procedures Handbook states: "All out-of-state travel must be pre-approved by the Board of Commissioners through the budget process or presented to the Board separately. A Request for Out-of-State Travel Form must be completed and approved by the Department Head or County Administrator."
- One instance where the mileage allowed for the use of a personal vehicle by a non-employee was overpaid because the number of miles was computed from the person's home rather than the County Government Center. Item 19.5.5. of the County's Travel Policy contained in section D of the Accounting Policies and Procedures Handbook states: "Mileage shall be measured from the office to the place of work activity and return. Normal personal commuting costs are not subject to reimbursement. . .".
- One instance where a vendor billing error resulted in the overpayment of an expense reimbursement claim.
- Two instances where travel costs associated with the rental of a car during out-of-state travel were incurred without considering whether a shuttle or taxi would be a less expensive alternative. The costs incurred for these two instances totaled \$1,358, and included the car rental fee, an upgrade fee on one of the claims, gas, parking fees, and travel protection. For one of the claims, the rental car was driven a total of 31 miles in five days.

- Two instances where overnight lodging was paid when the event was less than 50 miles from the workplace or from the employee's residence. Item 19.5.6. of the County's Travel Policy contained in section D of the Accounting Policies and Procedures Handbook states: ". . .In most circumstances, overnight lodging will not be paid if the event is 50 miles or less from the workplace or from the employee's residence, whichever is a closer distance to the event. The Department Head shall have the discretion to deviate from this policy if deemed appropriate due to the circumstances of the particular training event (such as evening events, multi-day events, etc.)." There was no documentation of the reasons for allowing the overnight lodging included with the expense reimbursement claim in these instances.

Context: The County Board approved the Accounting Policies and Procedures Handbook on June 3, 2008, and approved an update on December 3, 2013.

Effect: The County Board and other specifically authorized County officials are required by law to audit and allow claims against the County. Without adequate documentation and approval, it is difficult for the County to determine that amounts claimed for employee expenses are for a public purpose and comply with the County's Travel Policy.

Cause: Unknown.

Recommendation: We recommend the County review its controls over employee expense reimbursements and implement additional controls to ensure compliance with the Board-approved Travel Policies included in the Accounting Policies and Procedures Handbook.

Client's Response:

Regarding two instances where pre-approval for out-of-state travel was not properly obtained, it was explained to the Department that, even though the County Board's approval of the grant and the expense for the grant was approved in the 2015 budget, the Department still needed to have all out-of-state travel approved by the County Board by a separate RBA as stated in the County policy. This was brought to my attention after the employees had already attended the training event and were requesting reimbursement which was approved by the supervisor. I had spoken to the Department Head, and the understanding is in going forward, all out-of-state travel by Sherburne County employees will be pre-approved. It is not the County's intent for employees to endure expenses for training for their position required by the County to attend and approved by the Department Head. That is why this time the claim was allowed for reimbursement to the employee.

Regarding the instance where mileage was allowed for the use of a personal vehicle by a non-employee from place of residence rather than the County Government Center for County-approved travel for members of Sherburne County Substance Use Prevention Coalition Program (multiple members of this program car-pooled together so there was one claim paid), the person who provided this service was a volunteer and was only compensated for mileage and not their time. Currently, County policy only addresses employees in regards to mileage to be paid from the closer point from place of residence or the Government Center. This was an allowable expense under the grant program. The mileage claim was for \$18.97 and was reimbursed through the grant program and was not a County levy expense. This circumstance is not outlined by County policy. The grant program guideline and budget were followed. It was determined that there would be a change to the coalition agreement to pay for mileage from the Sherburne County Government Center and not from the member's home for mileage reimbursements in the future.

Regarding one instance where a vendor billing error for items purchased was paid twice, it was noted that a copy of the same claim was submitted twice for payment. This was not caught by staff and, once discovered, the vendor provided credit to the County as of April 20, 2016, in the amount of \$300. Claims will be reviewed more closely for duplication by staff to avoid this in the future.

Regarding two instances where travel costs for renting a vehicle during out-of-state travel were incurred without considering whether taking a shuttle or taxi would be a better choice, all future travel will compare taxi, shuttle, and car rental rates to determine which would be more prudent. The least expensive option will be looked at and considered in the future. A training was held at the September 24, 2015, Manager's group meeting to review what is allowable and what is not an allowable expense for reimbursement and how to properly fill out the expense claim forms. A guide for traveling reimbursement requirements has been created and handed out to employees who are traveling on County business. Of the \$1,358 highlighted by the State Auditor, \$1,055.25 was approved by the State of Minnesota as an appropriate expense under the Radiological Emergency Preparedness (REP) program. The rentals covered five staff members that attended the trainings. The County was reimbursed the \$1,055.25 through the REP program and was not a County levy expense. The REP program guideline and budget were followed. This particular issue for use of rental cars is not addressed in County current policy and will be looked at in the future.

Regarding two instances where overnight lodging was paid when the event was less than 50 miles from the workplace or from the employee's residence, policy states, "In most circumstances, overnight lodging will not be paid if the event is 50 miles or less from the workplace or from the employee's residence, whichever is a closer distance to the event. The Department Head shall have discretion to deviate from this policy if deemed appropriate due to the circumstances of the particular training event (such as evening events, multi-day events, etc.)" There are meeting minutes that document the discussion of the Executive Board that has oversight of this federal grant program related to this

particular issue. The Executive Board was in agreement of the overnight stays; however, better and clearer documentation in the minutes of the meeting granting authorization for staff to attend trainings will be noted for the future. The employee also had Department Head approval. The distance was just shy of 50 miles. The actual distance was 46.2 miles. This was an allowable expense under the grant program. The grant program guideline and budget were followed. The County was reimbursed through the grant program and not a County levy expense.

PREVIOUSLY REPORTED ITEM RESOLVED

Network Access Termination (2013-001)

During the previous audit, our testing of controls over information technology security identified seven instances where terminated employees' access to the County's network was not removed in a timely manner.

Resolution

All but one of the terminated employees tested after the date we informed the County of this issue in the previous audit had their network access terminated in a timely manner.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility (CFDA No. 93.558) (2013-002)

Our testing of the Temporary Assistance for Needy Families Program during the previous audit identified two case files that had insufficient verification of the participant's income, and one case file where a ten percent sanction to the participant should have been in effect for December 2014, but was not entered into MAXIS until January 2015. It was also noted that no periodic supervisory reviews were being performed over the Family Home Visiting case files.

Resolution

During the current audit, no instances of insufficient income verification were identified, and no cases with late sanctions were noted. Although the County does not perform scheduled supervisory reviews of the Family Home Visiting case files, these files are reviewed during the monthly Public Health Nurse Case Conference meetings.

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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
Sherburne County
Elk River, 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, each major fund, and the aggregate remaining fund information of Sherburne County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sherburne 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sherburne 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.

In connection with our audit, nothing came to our attention that caused us to believe that Sherburne 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.

Sherburne County's Response to Finding

Sherburne County's response to the internal control finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

May 11, 2016

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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
Sherburne County
Elk River, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Sherburne 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, 2015. Sherburne 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 Sherburne 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 Sherburne 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, Sherburne 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, 2015.

Report on Internal Control Over Compliance

Management of Sherburne 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, each major fund, and the aggregate remaining fund information of Sherburne County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated May 11, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherburne 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

May 11, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Conservation Reserve Program	10.069	-	\$ 889	\$ -
Passed through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	305,030	-
Passed through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	15152MN10152514	<u>463,551</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 769,470</u>	<u>\$ -</u>
U.S. Department of Justice				
Direct				
Bulletproof Vest Partnership Program	16.607	2015BUBX15078631	\$ 4,289	\$ -
Passed through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-0186	<u>82,793</u>	<u>-</u>
Total U.S. Department of Justice			<u>\$ 87,082</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	71-070-022	\$ 785,440	\$ -
Highway Planning and Construction	20.205	71-070-023	8,790	-
Highway Planning and Construction	20.205	71-070-025	456,918	-
Highway Planning and Construction	20.205	71-609-013	86,464	-
Highway Planning and Construction	20.205	71-624-001	<u>948,166</u>	<u>-</u>
Total CFDA #20.205			<u>\$ 2,285,778</u>	<u>\$ -</u>
Passed through the City of Elk River Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- ELKRIVPD-00046	<u>30,072</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 2,315,850</u>	<u>\$ -</u>
U.S. Department of Education				
Passed through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	12-7000-000097	<u>\$ 2,492</u>	<u>\$ -</u>

**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276	1H79SP020435-01	\$ 93,084	\$ -
Passed through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	U90TP000529	77,213	-
Universal Newborn Hearing Screening	93.251	Not Provided	2,200	-
Immunization Cooperative Agreements	93.268	5NH231P000707	3,045	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	225	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$500,367)	93.558	2015G996115	61,212	-
Maternal and Child Health Services Block Grant to the States	93.994	2015G996115	57,050	-
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	1401MNF PSS	46,295	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$500,367)	93.558	1502MNTANF	439,155	-
Child Support Enforcement	93.563	15404MN4005	1,218,240	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNR CMA	596	-
Child Care and Development Block Grant	93.575	G1501MNC CDF	28,723	-
Community-Based Child Abuse Prevention Grants	93.590	1302MNF R PG	25,305	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNC WSS	8,697	-
Foster Care - Title IV-E	93.658	1501MNF OST	331,508	-
Social Services Block Grant	93.667	1501MNS OSR	237,290	-
Chafee Foster Care Independence Program	93.674	1401MN1420	7,509	-
Children's Health Insurance Program	93.767	H55145021	123	-
Medical Assistance Program	93.778	1505MNA DM	1,706,932	-
Total U.S. Department of Health and Human Services			\$ 4,344,402	\$ -
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGS FY15	\$ 10,828	\$ -
Passed through Minnesota Department of Public Safety				
Homeland Security Grant Program	97.067	A-WASI-2015- SHERBUCO-0011	22,950	-
Total U.S. Department of Homeland Security			\$ 33,778	\$ -
Total Federal Awards			\$ 7,553,074	\$ -

**SHERBURNE COUNTY
ELK RIVER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Sherburne 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 Sherburne County under programs of the federal government for the year ended December 31, 2015. 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 Sherburne County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sherburne 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. Sherburne County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.