Steele County

Report on Federal Awards

December 31, 2022

Steele County

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Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
***Government Auditing Standards* and Minnesota Legal Compliance**

Independent Auditors' Report

To the County Board of Commissioners of
Steele County

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Steele County, (the County) as of and for the year ended December 31, 2022, 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, 2023. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Steele County has equity interests, as described in our report on the County's financial statements. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with South Country Health Alliance or that are reported on separately by those auditors who audited the financial statements of the South Country Health Alliance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

The County's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 28, 2023

Report on Compliance
for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

To the County Board of Commissioners of
Steele County

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Steele County's (the County) compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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 the County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Steele County has equity interests, as described in our report on the County’s financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 28, 2023

Federal Grantor/ Grant Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Expenditures
U.S. Department of Agriculture				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Dodge County	222MN004W1003	$ 222,905
Total U.S. Department of Agriculture				222,905
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	N/A	2,560
Total U.S. Department of Justice				2,560
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	MN Dept of Transportation	074-070-005	83,591
COVID-19 Highway Planning and Construction	20.205	MN Dept of Transportation	074-901-001 CRRSAA	69,904
Total ALN 20.205 & Highway Planning and Construction Cluster				153,495
Total U.S. Department of Transportation				153,495
U.S. Department of Treasury				
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	N/A	N/A	26,758
Total U.S. Department of Treasury				26,758
U.S. Department of Education				
Special Education - Grants for Infants and Families	84.181	Dodge County	BO4MC32551	4,766
Total U.S. Department of Education				4,766
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404	MN Secretary of State	208860/P03814	8,359
Total U.S. Election Assistance Commission				8,359
U.S. Department of Health and Human Services				
Public Health Emergency Preparedness	93.069	Dodge County	NU90TP922026	34,864
Early Hearing Detection and Intervention	93.251	Dodge County	H61MC00035	225
Immunization Cooperative Agreements	93.268	Dodge County	NH23IP922628	85,001
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Dodge County	NH23IP922628	84,574
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Dodge County	NU90TP922188	17,789
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Dodge County	NU90TP922188	23,893
Total ALN 93.354				41,682
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	United Healthcare	N/A	108,375
Temporary Assistance for Needy Families	93.558	Dodge County	1801MNTANF	29,490
Maternal and Child Health Services Block Grant to the States	93.994	Dodge County	BO4MC32551	39,745
Total U.S. Department of Health and Human Services				423,956
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	MN Dept. of Public Safety	DR4290/PW54	2,046
Emergency Management Performance Grants	97.042	MN Dept. of Public Safety	A-EMPG-2020-STEELECO-100	13,000
Total U.S. Department of Homeland Security				15,046
Total federal programs				$ 857,845

See notes to schedule of expenditures of federal awards

1. Reporting Entity

The schedule of expenditures of federal awards (the Schedule) presents the activities of federal award programs expended by Steele County (the 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 award activity of Steele County under programs of the federal government for the year ended December 31, 2022. 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 Steele County, it is not intended to and does not present the financial position, changes in net position or cash flows of Steele 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Indirect Cost Rate

Steele County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 949,159
Grants received more than 45 days after year-end, unavailable revenue in 2022	23,893
Grant received but not all spent in 2022	(23,983)
Charges for contracted services not recognized as expenditures on the SEFA	(91,224)
Expenditures per schedule of expenditures of federal awards	$ 857,845

Section I - Summary of Auditors' 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 weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
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 2 CFR 200.516(a) of the Uniform Guidance?		yes	X	no
Auditee qualified as low-risk auditee?		yes	X	no

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.557	Supplemental Nutrition Program for Women, Infants and Children (WIC)
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2022-001: Significant Deficiency - Internal Control Over Financial Reporting

Repeat of Prior Year Finding 2021-001

Criteria: County staff should present the auditor with a set of complete financial statements, including the schedule of expenditures of federal awards (SEFA), in such a condition that the auditor is not able to identify any material changes as a result of the audit. The County should also present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of the audit procedures.

Condition: The County relies on its external auditors to draft the financial statements. Additionally, changes to the SEFA were proposed during the audit.

Cause: The County has chosen to have the auditors prepare its annual financial statements and certain year-end entries.

Effect: Because of the lack of controls over year-end financial reporting, your financial statements, including the SEFA, may not contain all of the required disclosures and account balances. In addition, significant errors could go undetected.

Recommendation: The County should develop an action plan to ensure all year-end adjustments are recorded by County staff prior to audit fieldwork. The County should consider whether preparation of the complete set of financial statements by County staff is cost effective.

Views of Responsible Officials: The County will create an audit group involving employees in the Auditor's Office, the Highway accountant and Finance to review audit adjustments, propose and make adjustments for next audit year to ensure all year-end adjustments are recorded by the County staff prior to audit fieldwork. The Finance Office will prepare draft financial statements for the auditor's review.

Section III - Federal Awards Findings and Questioned Costs

None noted.

Section IV - Minnesota Legal Compliance Findings

None noted.