STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

ITASCA COUNTY
GRAND RAPIDS, 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.

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ITASCA COUNTY
GRAND RAPIDS, 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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ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

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ITASCA COUNTY
GRAND RAPIDS, 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? **Yes**
- 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? **No**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Payments in Lieu of Taxes	CFDA #15.226
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Recreational Trails Program	CFDA #20.219
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.

Itasca 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 1996-005

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: At Itasca County, the same individuals who collect and receipt cash also make the bank deposits, and some individuals who can write receipts also have the capability to make journal entries, post to the general ledger, or reconcile the bank accounts. At the department level, there is a lack of segregation of duties between cash collection and billing functions.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Itasca 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 accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County has informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

Client's Response:

Itasca County elected officials and management are aware of the limited resources we have and that these limitations will sometimes create an exposure to internal control weaknesses.

Finding 2006-002

Internal Control Over Budgeting

Criteria: A good budget policy should outline the key factors, controls, and other information necessary to be used by County management during the budget process.

Condition: The County Board has adopted a budget policy, but it is lacking key information such as which funds are required to be budgeted, the budgetary basis, and the legal level of control over the budget.

Context: Budgeting is a vital process in controlling the County's revenues and expenditures and helping determine the required tax levy.

Effect: Not including all of the key elements in the policy could lead to missing procedures, approvals, or information needed during the budget process.

Cause: The County's budget policy has not been updated to include this information.

Recommendation: We recommend the County Board amend its budget policy to include the elements recommended above to provide better internal control over the budget process.

Client's Response:

Itasca County will review its budget policy and make changes that will include these recommended changes.

Finding 2006-004

Audit Adjustments and/or Restatements

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control 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.

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

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found during the audit; however, independent external auditors cannot be considered part of Itasca County's internal control.

Effect: Material audit adjustments were necessary to properly present financial statement amounts. The following adjustments were reviewed and approved by management and are reflected in the County's financial statements:

- An audit adjustment was made in the Forest Resources Special Revenue Fund to correct a client entry that was posted to tax revenue instead of an offset to expenditures. Revenues and expenditures were both decreased by $1,261,627.

- An audit adjustment was made in the Capital Projects Fund to record an additional payable. Accounts payable and expenditures were both increased by $101,510.

- An audit adjustment was made in the Forfeited Tax Special Revenue Fund to correct a client entry that overstated future settlements due to other governments. Deferred inflows of resources - unavailable was increased by $978,064 and due to other governments was decreased by $978,064.

Cause: An improper entry was made recording reimbursement for expenses as tax revenue, a material payable was not recorded, and an allocation between payables and deferred inflows of resources - unavailable revenue was misclassified.

Recommendation: We recommend County staff review the trial balances, journal entries, and financial statement presentation in detail in order to prevent, or detect and correct, misstatements in the financial statements.

<u>Client's Response</u>:

County staff will review trial balances, journal entries, and financial statements in detail.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Identification of Federal Awards (Medical Assistance Program CFDA No. 93.778) (2013-001)

In the prior year, the County failed to identify $138,425 as Medical Assistance Program expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County adequately identified amounts expended for federal awards on the SEFA in the current year.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2008-004

Collateral Assignments

Criteria: Itasca County has deposits with Grand Rapids State Bank and Wells Fargo. These banks have pledged collateral to Itasca County to secure these deposits. Minn. Stat. § 118A.03, subd. 4, requires the collateral assignments to be in writing, and to include language specified in the Statute.

Condition: The collateral pledge agreement which Itasca County had with Wells Fargo was not current. The most current pledge agreement on file was dated 2003. Also, the Wells Fargo pledge agreement did not contain the language required by Minn. Stat. § 118A.03, subd. 4, that “upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.” Grand Rapids State Bank has updated its pledge agreement, however, their pledge agreement also does not contain the language required by Minn. Stat. § 118A.03, subd. 4.

Context: Current collateral assignments are advisable to ensure that the proper statutory language is included so that the County's interests are properly protected. The collateral assignments should also be approved by the bank's Board of Directors or loan committee in order to perfect the collateral. Subsequent to year-end December 31, 2014, Itasca County did obtain an updated collateral pledge agreement with Wells Fargo that does have the proper statutory language included. The County is also working with Grand Rapids State Bank and expects to be in compliance with the applicable statutes and recommendations in 2015.

Effect: There is an increased risk that the County will not be able to recover the value of its deposits in the event of a bank failure.

Cause: The County attempted to obtain a new collateral assignment from Wells Fargo in the past, however, the updated collateral assignment still did not have the required language, nor was it executed. For Grand Rapids State Bank, the updated assignment was not written with the proper language included.

Recommendation: We recommend that the Accounting Manager monitor and ensure collateral assignments from each bank where collateral is required. The assignments should be reviewed to make sure they include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and are approved by the bank's Board of Directors or loan committee.

<u>Client's Response</u>:

Subsequent to December 31, 2014, we obtained an updated agreement with Wells Fargo that includes the proper statutory language. Also subsequent to December 31, 2014, we have reduced the balance in our Grand Rapids State Bank account to below $250,000, thereby covered by FDIC insurance. As a result, the pledge agreement with Grand Rapids State Bank is no longer applicable.

B. <u>OTHER ITEM FOR CONSIDERATION</u>

<u>GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*</u>

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 Itasca County's 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 Itasca 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 the County to report the net pension liability and deferred outflows/inflows of resources.

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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
Itasca County
Grand Rapids, 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 Itasca County, Minnesota, as of and for the year ended December 31, 2014, including the Nursing Home Enterprise Fund 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 Itasca Medical Care Enterprise Fund, as described in our report on Itasca County's financial statements. This report does not include the results of the other auditor's 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 Itasca County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-004 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-005 and 2006-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itasca 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 of tax increment financing because the County does not have any tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Itasca County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2008-004. 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.

Itasca County's Response to Findings

Itasca County's responses to the internal control and legal compliance 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 | */s/Greg Hierlinger*

REBECCA OTTO
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GREG HIERLINGER, CPA
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September 28, 2015

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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 OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Itasca County
Grand Rapids, Minnsota

Report on Compliance for Each Major Federal Program

We have audited Itasca 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. Itasca 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 Itasca 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 Itasca 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, Itasca 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 Itasca 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. 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, each major fund, and the aggregate remaining fund information of Itasca County, Minnesota, 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 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 | */s/Greg Hierlinger*

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September 28, 2015

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ITASCA COUNTY
GRAND RAPIDS, 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 Aitkin-Itasca-Koochiching Community Health Services Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$	124,646
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		454,179
Passed Through Minnesota Department of Natural Resources			
Cooperative Forestry Assistance	10.664		110,947
Passed Through Minnesota Management & Budget			
Schools and Roads - Grants to States	10.665		152,565
Total U.S. Department of Agriculture		**$**	**842,337**
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	**$**	**41,600**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226	**$**	**573,602**
U.S. Department of Justice			
Direct			
Supervised Visitation, Safe Havens for Children	16.527	$	131,765
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		9,127
Public Safety Partnership and Community Policing Grants	16.710		78,965
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736		53,921
Total U.S. Department of Justice		**$**	**273,778**

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

ITASCA COUNTY
GRAND RAPIDS, 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 Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	$ 2,073,944
Passed Through Minnesota Department of Natural Resources		
Highway Planning and Construction Cluster		
Recreational Trails Program	20.219	257,075
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	17,196
Total U.S. Department of Transportation		**$ 2,348,215**
U.S. Department of Health and Human Services		
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board		
Public Health Emergency Preparedness	93.069	$ 21,267
Universal Newborn Hearing Screening	93.251	975
Immunization Cooperative Agreements	93.268	3,250
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	11,911
Temporary Assistance for Needy Families	93.558	58,526
(Total Temporary Assistance for Needy Families 93.558 $637,846)		
Maternal and Child Health Services Block Grant to the States	93.994	58,035
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	23,367
Temporary Assistance for Needy Families	93.558	579,320
(Total Temporary Assistance for Needy Families 93.558 $637,846)		
Child Support Enforcement	93.563	1,155,171
Refugee and Entrant Assistance - State Administered Programs	93.566	2,136
Child Care and Development Block Grant	93.575	14,734
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,429
Foster Care - Title IV-E	93.658	177,477
Social Services Block Grant	93.667	282,791
Chafee Foster Care Independence Program	93.674	10,638
Children's Health Insurance Program	93.767	215
Medical Assistance Program	93.778	1,244,845
Block Grants for Community Mental Health Services	93.958	14,266
Block Grants for Prevention and Treatment of Substance Abuse	93.959	103,128
Total U.S. Department of Health and Human Services		**$ 3,768,481**

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

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 Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	$ 15,683
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	9,866
Emergency Management Performance Grants	97.042	33,024
Homeland Security Grant Program	97.067	258,111
Total U.S. Department of Homeland Security		**$ 316,684**
Total Federal Awards		**$ 8,164,697**

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

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ITASCA COUNTY
GRAND RAPIDS, 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 Itasca 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 Itasca 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 Itasca County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Itasca 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	$ 2,331,019

5. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	$	8,799,919
Grants received more than 60 days after year-end, unavailable in 2014		
Special Supplemental Nutrition Program for Women, Infants, and Children		1,179
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		9,127
Supervised Visitation, Safe Havens for Children		46,714
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		15,532
State and Community Highway Safety		1,113
Public Health Emergency Preparedness		3,428
Temporary Assistance for Needy Families		8,396
Maternal and Child Health Services Block Grant to the States		524
Homeland Security Grant Program		46,525
Unavailable in 2013, recognized as revenue in 2014		
Special Supplemental Nutrition Program for Women, Infants, and Children		(57,383)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		(73,518)
Schools and Roads - Grants to States		(227,535)
Temporary Assistance for Needy Families		(109,441)
Child Support Enforcement		(104,168)
Medical Assistance Program		(195,715)
Expenditures per Schedule of Expenditures of Federal Awards	$	8,164,697

6. Subrecipients

Of the expenditures presented in the schedule, Itasca County provided federal awards to subrecipients as follows:

CFDA Number	Program Name		Amount Provided to Subrecipients
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	$	41,600
16.527	Supervised Visitation, Safe Havens for Children		131,765
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		1,481
16.736	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		53,921
20.219	Recreational Trails Program		150,000
97.067	Homeland Security Grant Program		174,715
	Total	$	553,482