STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

CROW WING COUNTY
BRAINERD, 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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CROW WING COUNTY  
BRAINERD, 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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CROW WING COUNTY
BRAINERD, MINNESOTA

TABLE OF CONTENTS

| Schedule of Findings and Questioned Costs | 1 |
| 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* | 10 |
| Schedule of Expenditures of Federal Awards | 16 |
| Notes to the Schedule of Expenditures of Federal Awards | 18 |
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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? Yes

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

The major programs are:

- Highway Planning and Construction Cluster
- Highway Planning and Construction CFDA #20.205
- Recreation Trails Program CFDA #20.219
- Foster Care - Title IV-E CFDA #93.658
- Social Services Block Grant CFDA #93.667
- Medical Assistance Program CFDA #93.778

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

Crow Wing 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 ITEM NOT RESOLVED

Finding 2007-001

Documenting and Monitoring Internal Controls

**Criteria:** County management is responsible for developing and monitoring its internal control over financial reporting. An essential element of monitoring controls would include documenting the County’s accounting policies and procedures and performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Significant internal controls would cover areas such as: cash and investment activities; capital assets (capitalization process and related depreciation); major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items); expenditure/expense processing including social services expenditures; and payroll.

**Condition:** Our inquiry of County management found that significant internal controls of its accounting system have not been documented, including the documentation of risk assessment and monitoring procedures.

**Context:** Without formal policies and procedures including risk assessment and monitoring procedures, the County increases its risk of fraud. Monitoring of internal controls is necessary to determine controls are in place and operating effectively.

**Effect:** As a result of this condition, the County’s practices may not be followed as intended by management, and employees may not understand the purpose of internal controls. The lack of risk assessment and monitoring procedures increases the risk of fraud.

**Cause:** The County has begun to develop formal policies and procedures to include monitoring and risk assessment procedures. Due to limited time and resources, the County has not been able to complete this project.
**Recommendation:** We recommend that County management continue to take the necessary steps in implementing procedures to document the significant internal controls in its accounting system. We also recommend that a formal plan be developed that calls for assessing and monitoring the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

**Client’s Response:**

*The Board of Commissioners of Crow Wing County has adopted a series of Financial Policies, two of which are particularly applicable to the documenting and monitoring of internal controls: the Accounting, Auditing, and Financial Reporting Policy and the Internal Control Policy. The County has begun developing a plan to assess internal controls annually. This plan includes a risk assessment checklist as well as focusing on transactional-level controls. Because of limited time and resources, the County is still in the planning process for developing a risk assessment program and procedures to monitor internal controls.*

**ITEM ARISING THIS YEAR**

Finding 2014-001

Restatement

**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 identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

**Condition:** During the preparation of the County’s financial statements for the year ended December 31, 2014, the County determined that revenue previously recognized in the Community Services Special Revenue Fund related to estate recoveries (representing unprocessed portions of estates), should have been recognized only to the extent of the County’s portion of the recoveries. The majority of the recoveries, after being processed by the State of Minnesota, would result in payments to the State of Minnesota. A prior period adjustment was necessary to reduce $941,678 of the January 1, 2014, fund balance, as previously reported, which represented the accumulation of estate recoveries through December 31, 2013, that had not been processed by the State of Minnesota.

**Context:** The need for restatement can raise doubts as to the reliability of the County’s financial information being presented.
**Effect:** The January 1, 2014, fund balance of the Community Services Special Revenue Fund and the net position of the Governmental Activities was restated by $941,678.

**Cause:** The estate recoveries were erroneously recorded as revenues upon receipt. When subsequent payments were made to the State of Minnesota they were accounted for by reducing the recorded revenue.

**Recommendation:** We recommend County staff review revenue transactions on an on-going basis to determine revenue is properly recorded in the account activity and on the fund’s trial balance, and to ensure the County’s financial statements are reported in accordance with generally accepted accounting principles.

**Client’s Response:**

*As mentioned in the condition section above, the estate recoveries accounting correction was identified by Crow Wing County Finance staff. Corrective changes were proposed to the Office of the State Auditor for proper restatement at the commencement of the County’s financial statement preparation for the year-ended December 31, 2014.*

*The County has established processes to properly handle the ongoing accounting for estate recoveries to ensure generally accepted accounting principles are being used.*

*Generally speaking, it is understood that the need for restatement can increase stakeholders’ reporting reliability concerns, as stated in the context section above. However, specifically speaking, Crow Wing County continues to increase strengths with multiple experienced staff working in the area of the Comprehensive Annual Financial Report (CAFR). Crow Wing County is internally committed to continuously improving the timeliness and reliability of the CAFR and ensuring a high level of financial integrity.*

*The accounting restatement needed in the area of estate recoveries does not affect the management of Federal awards. Therefore, Crow Wing County will respectfully and formally request a waiver from the Federal oversight agency in regards to the “automatic” loss of low-risk auditee status. This judgement consideration process is highlighted in the criteria to qualify as a low-risk auditee.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Audit Adjustment (2013-001)**

In the prior year, a material audit adjustment was made to properly report revenues and expenditures in the Public Land Management Special Revenue Fund.

**Resolution**

No material audit adjustments were necessary for 2014.
III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-002

Eligibility Testing

Program: U.S. Department of Health and Human Services’ Medical Assistance Program (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility or, in other circumstances, the documentation maintained in the files did not match the information within the MAXIS system. The following instances were noted in our sample of 40 cases tested:

- One case had conflicting information between data entered in MAXIS and the documentation in the case file relating to insurance coverage. The case file contained insurance documentation but this information had not been entered into MAXIS.

- Three cases did not have verification of asset requirements. For two of the three cases, the most recent bank statements were not received. In the remaining case, the representative payee account was not verified.

- One case had documentation in the case file supporting a number of real estate properties, but a reconciliation between this documentation and information that had been entered into MAXIS could not be performed.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.
**Context:** The State of Minnesota contracts with the County Community Services Department to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility) while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to participants.

**Effect:** The improper input of information into MAXIS and lack of follow-up of issues increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained.

**Recommendation:** We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly input into MAXIS and issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

**Corrective Action Plan:**

**Name of Contact Person Responsible for Correction Action:**

*Kathie Cogger and Tina Ebertowski, Program Coordinators*

**Corrective Action Planned and Anticipated Completion Dates:**

<table>
<thead>
<tr>
<th>Corrective Action Planned</th>
<th>Position Responsible</th>
<th>Anticipated Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refresher training provided to staff in relation to insurance, assets, and correct completion of MAXIS panels.</td>
<td>Management/Financial Assistance Specialist/Staff</td>
<td>December 31, 2015</td>
</tr>
<tr>
<td>Monthly Review of 10 cases</td>
<td>Management/Financial Assistance Specialist</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
ITEM ARISING THIS YEAR

Finding 2014-002

Davis-Bacon Act

Program: U.S. Department of Transportation’s Highway Planning and Construction (CFDA No. 20.205)

Pass-Through Agency: Minnesota Department of Transportation

Criteria: The Davis-Bacon Act (23 U.S.C. 113) requires that contractors and subcontractors performing work on federal contracts in excess of $2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract’s wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under recordkeeping for the preceding weekly payroll period.

Condition: Crow Wing County received the certified payrolls from contractors and subcontractors but did not maintain evidence that the certified payrolls were reviewed for compliance with the Davis-Bacon Act.

Questioned Costs: None.

Context: Crow Wing County entered into contracts with numerous vendors during the year for road construction projects funded by the Highway Planning and Construction Grant.

Effect: There is no assurance that the County actually performed procedures to determine compliance with the Davis-Bacon Act on these projects.

Cause: The County’s written procedure for monitoring compliance with the Davis-Bacon Act is to follow the Minnesota Department of Transportation’s Labor Compliance Manual; however, personnel assigned to monitor compliance for some of the road construction projects funded by the Highway Planning and Construction Grant were unaware of the requirements.

Recommendation: We recommend that a supervisory monitoring process be established to ensure that compliance with the Davis-Bacon Act is being achieved. Documentation should exist to support the monitoring of and compliance with this requirement.
Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

Robert Hall, Assistant County Engineer
Mark Melby, Construction Supervisor

Corrective Action Planned:

As soon as the issue was informally brought to the County’s attention, the item was discussed at the next monthly engineering team meeting. Everyone was aware of the requirement to review the payrolls; however, not all were being initialed. Continued training and discussions related to contract administration and documentation will occur.

In addition, Ron Bumman from the MnDOT Construction Office was brought in to give construction documentation training to all engineering staff on March 5, 2015. This was a two and a half hour session geared specifically towards documentation, testing requirements and contract administration. The plan going forward is to have Mr. Bumman do similar training on a biennial basis for all staff. The engineering staff also attend training sessions conducted by Mn/DOT Labor Compliance on a biennial basis.

A federal aid prevailing wage checklist has been prepared and will be used for all prevailing wage highway construction contracts in Crow Wing County beginning in 2015. The checklist will assist supervisory staff and the engineering technicians with contract administration from pre-construction through final documentation and will help ensure compliance with the Davis-Bacon Act.

Anticipated Completion Date:

There is no anticipated completion date for this item. The ever-changing requirements related to documentation on state and federally funded construction projects is an enormous task for the construction inspectors and project managers. Documentation requirements are discussed continually.

IV. OTHER ITEM FOR CONSIDERATION

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

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.
GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers’ unfunded liability, called the “net pension liability” on the face of the County’s government-wide statement of financial position. The County’s financial position will be immediately impacted by its unfunded share of the pension liability.

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

The net pension liability that will be reported in Crow Wing County’s financial statements is an accounting estimate of the proportionate share of PERA’s unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.
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Board of County Commissioners
Crow Wing County
Brainerd, 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 Crow Wing County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated June 22, 2015.

Our report includes a reference to other auditors who audited the financial statements of the Brainerd Lakes Regional Airport as described in our report on the County’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crow Wing 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 an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2007-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crow Wing County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County’s financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Crow Wing County does not use tax increment financing.
In connection with our audit, nothing came to our attention that caused us to believe that Crow Wing County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County’s noncompliance with the above referenced provisions.

**Other Matters**

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

**Crow Wing County’s Response to Findings**

Crow Wing County’s responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto   
REBECCA OTTO 
STATE AUDITOR

/s/Greg Hierlinger  
GREG HIERLINGER, CPA 
DEPUTY STATE AUDITOR

June 22, 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
Crow Wing County
Brainerd, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Crow Wing 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. Crow Wing 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 Crow Wing 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 Crow Wing 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, Crow Wing 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 Crow Wing County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material.
weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2014-002, that we consider to be significant deficiencies.

Crow Wing County’s responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Crow Wing County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Crow Wing County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We have issued our report thereon dated June 22, 2015, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Brainerd Lakes Regional Airport (Airport), included in the City of Brainerd’s financial statements as a discrete component unit, for the year ended December 31, 2013 (the most recent information available). The Airport is a joint venture between Crow Wing County and the City of Brainerd. 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
REBECCA OTTO         GREG HIERLINGER, CPA
STATE AUDITOR         DEPUTY STATE AUDITOR

June 22, 2015
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CROW WING COUNTY
BRAINERD, MINNESOTA

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

<table>
<thead>
<tr>
<th>Federal Grantor</th>
<th>Federal CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Agriculture</strong></td>
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<tr>
<td>Passed Through Minnesota Department of</td>
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<tr>
<td>Health Special Supplemental Nutrition</td>
<td>10.557</td>
<td>$ 301,470</td>
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<tr>
<td>Program for Women, Infants, and Children</td>
<td></td>
<td></td>
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<tr>
<td>Passed Through Minnesota Department of</td>
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<tr>
<td>Human Services State Administrative</td>
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<td>523,681</td>
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<td>Matching Grants for the Supplemental</td>
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<tr>
<td>Nutrition Assistance Program (SNAP)</td>
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<tr>
<td><strong>Total U.S. Department of Agriculture</strong></td>
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<td>$ 825,151</td>
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<td><strong>U.S. Department of Justice</strong></td>
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<tr>
<td>Direct</td>
<td>16.607</td>
<td>$ 1,790</td>
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<td>Bulletproof Vest Partnership Program</td>
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<td><strong>U.S. Department of Transportation</strong></td>
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<tr>
<td>Passed Through Minnesota Department of</td>
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<tr>
<td>Transportation Highway Planning and</td>
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<td>Construction Cluster Highway Planning</td>
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<td></td>
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<td>and Construction</td>
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<tr>
<td>Passed Through Minnesota Department of</td>
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<td>Natural Resources Recreation Trails</td>
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<td>85,578</td>
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<td>Program</td>
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<td>Passed Through Minnesota Department of</td>
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</tr>
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<td>Public Safety State and Community</td>
<td>20.600</td>
<td>6,692</td>
</tr>
<tr>
<td>Highway Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Department of Transportation</strong></td>
<td></td>
<td>$ 1,339,337</td>
</tr>
</tbody>
</table>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.
CROW WING COUNTY
BRAINERD, MINNESOTA

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

<table>
<thead>
<tr>
<th>Federal Grantor</th>
<th>Federal Pass-Through Agency</th>
<th>Federal Program Title</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Health and Human Services</td>
<td>Passed Through Minnesota Department of Health</td>
<td>Public Health Emergency Preparedness</td>
<td>93.069</td>
<td>$33,916</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Universal Newborn Hearing Screening</td>
<td>93.251</td>
<td>1,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Immunization Cooperative Agreements</td>
<td>93.268</td>
<td>4,430</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Temporary Assistance for Needy Families</td>
<td>93.558</td>
<td>75,354</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Total Temporary Assistance for Needy Families 93.558 $938,687)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maternal and Child Health Services Block Grant to the States</td>
<td>93.994</td>
<td>55,694</td>
</tr>
<tr>
<td></td>
<td>Passed Through Minnesota Department of Human Services</td>
<td>Projects for Assistance in Transition from Homelessness (PATH)</td>
<td>93.150</td>
<td>20,637</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promoting Safe and Stable Families</td>
<td>93.556</td>
<td>13,639</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Temporary Assistance for Needy Families</td>
<td>93.558</td>
<td>863,333</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Total Temporary Assistance for Needy Families 93.558 $938,687)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Child Support Enforcement</td>
<td>93.563</td>
<td>1,089,850</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Refugee and Entrant Assistance - State-Administered Programs</td>
<td>93.566</td>
<td>2,676</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Child Care and Development Block Grant</td>
<td>93.575</td>
<td>46,927</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stephanie Tubbs Jones Child Welfare Services Program</td>
<td>93.645</td>
<td>8,988</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Foster Care - Title IV-E</td>
<td>93.658</td>
<td>424,977</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social Services Block Grant</td>
<td>93.667</td>
<td>330,216</td>
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<tr>
<td></td>
<td></td>
<td>Chafee Foster Care Independence Program</td>
<td>93.674</td>
<td>8,497</td>
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<tr>
<td></td>
<td></td>
<td>Children's Health Insurance Program</td>
<td>93.767</td>
<td>228</td>
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<tr>
<td></td>
<td></td>
<td>Medical Assistance Program</td>
<td>93.778</td>
<td>1,750,020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Money Follows the Person Rebalancing Demonstration</td>
<td>93.791</td>
<td>3,025</td>
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<tr>
<td></td>
<td></td>
<td>Block Grants for Community Mental Health Services</td>
<td>93.958</td>
<td>4,223</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total U.S. Department of Health and Human Services</td>
<td></td>
<td>$4,737,730</td>
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<td></td>
<td></td>
<td>Emergency Management Performance Grants</td>
<td>97.042</td>
<td>88,936</td>
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<tr>
<td></td>
<td></td>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>22,398</td>
</tr>
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<td></td>
<td></td>
<td>Total U.S. Department of Homeland Security</td>
<td></td>
<td>$157,976</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Federal Awards</td>
<td></td>
<td>$7,061,984</td>
</tr>
</tbody>
</table>

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

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Crow Wing County. The County’s reporting entity is defined in Note I.A. to the financial statements.

2. **Basis of Presentation**

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Crow Wing 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 Crow Wing County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Crow Wing 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. The total expenditures for the Highway Planning and Construction Cluster was $1,332,645.
5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue $ 7,468,806
Grants received more than 60 days after year-end, deferred in 2014
  Highway Planning and Construction 21,423
  Temporary Assistance for Needy Families 17,372
  Child Care and Development Block Grant 3,711
  Emergency Management Performance Grants 43,973
Deferred in 2013, recognized as revenue in 2014
  Temporary Assistance for Needy Families (136,080)
  Child Care and Development Block Grant (3,938)
  Foster Care - Title IV-E (24,869)
  Medical Assistance Program (308,115)
  Block Grants for Community Mental Health Services (10,941)
  Homeland Security Grant Program (9,358)

Expenditures Per Schedule of Federal Awards $ 7,061,984

6. Subrecipients

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

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Program Name</th>
<th>Amount Provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.219</td>
<td>Recreation Trails Program</td>
<td>$ 85,578</td>
</tr>
<tr>
<td>20.600</td>
<td>State and Community Highway Safety</td>
<td>6,692</td>
</tr>
</tbody>
</table>

Total $ 92,270