

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT

**ITASCA COUNTY**  
**GRAND RAPIDS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2016

## **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 650 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, 2016**



**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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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, 2016, including the Nursing Home Enterprise Fund as of and for the year ended September 30, 2016, 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 13, 2017. 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 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 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.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-004 to be a material weakness.

## **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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County does not administer any tax increment financing districts.

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 Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Itasca County's Response to Finding**

Itasca County's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 13, 2017

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REBECCA OTTO  
STATE AUDITOR

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### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

#### Independent Auditor's Report

Board of County Commissioners  
Itasca County  
Grand Rapids, Minnesota

#### **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) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about 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, 2016.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Itasca County, Minnesota, as of and for the year ended December 31, 2016, including the Nursing Home Enterprise Fund as of and for the year ended September 30, 2016, 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 13, 2017, 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 Itasca County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 13, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

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

The major federal programs are:

Payments in Lieu of Taxes	CFDA No. 15.226
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
Recreational Trails Program	CFDA No. 20.219
Child Support Enforcement	CFDA No. 93.563

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

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 ITEM NOT RESOLVED

Finding Number 2006-004

#### Audit Adjustment

**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 a material adjustment that resulted in a significant change to the County's financial statements.

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

**Effect:** A material audit adjustment was made to properly present financial statement amounts. The following adjustment was reviewed and approved by management and is reflected in the County's financial statements:

- Accounts receivable and deferred inflows of resources - unavailable timber receivable increased by \$2,280,591 in the Forfeited Tax Special Revenue Fund to record additional timber receivables.

**Cause:** The above adjusting item was missed in the preparation of the year-end working paper summaries and the compilation of the financial statements.

**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.

**View of Responsible Official:** Acknowledged

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. PREVIOUSLY REPORTED ITEM RESOLVED**

1996-005 Segregation of Duties

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**REPRESENTATION OF ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2006-004**

**Finding Title: Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Jenni Johnson

Corrective Action Planned:

An audit adjustment was made in the Forfeited Tax Special Revenue Fund that resulted in a balance sheet reclassification, increasing accounts receivable and deferred inflows. County staff will continue to review trial balances, journal entries, and financial statements in detail.

Anticipated Completion Date:

Immediately

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**REPRESENTATION OF ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 1996-005**

**Finding Title: Segregation of Duties**

**Summary of Condition:** Due to the limited number of office personnel within various County departments, proper segregation of accounting functions necessary to ensure adequate internal accounting control is not always feasible. Without this proper segregation, there is an increased opportunity for errors or fraudulent activity to occur and remain undetected.

**Summary of Corrective Action Previously Reported:** The County's elected officials and management are aware of the limited resources and that the limitations will sometimes create exposure to internal control weaknesses. Management will continue to monitor controls in place and segregate incompatible duties to the extent possible.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X  

**Finding Number: 2006-004**

**Finding Title: Audit Adjustments and/or Restatements**

**Summary of Condition:** Significant adjustments were identified that resulted in changes to the County's financial statements.

**Summary of Corrective Action Previously Reported:** The County staff will review trial balances, journal entries, and financial statements in detail to help assure financial statement balances are accurately stated.

**Status:** Partially Corrected. The planned corrective actions have been implemented. However, during the current audit, adjustments to the financial statements were again identified.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X

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**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number/ Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Direct				
U.S. Forest Service Chippewa National Forest Cooperative Agreement	Unavailable	16-PA-11090300-011	\$ 30,000	\$ -
U.S. Forest Service Chippewa National Forest Stewardship Agreement	Unavailable	16-SA-11090300-021	95,010	-
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	172MN004W1003	117,639	-
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	413,459	-
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	83386	183,266	-
Passed Through Minnesota Management & Budget Schools and Roads - Grants to States	10.665	G9RUSDFORESTRY	<u>212,525</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 1,051,899</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of the Interior</b>				
Direct				
Payments in Lieu of Taxes	15.226		<b><u>\$ 572,701</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Justice</b>				
Direct				
Supervised Visitation, Safe Havens for Children Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.527		\$ 126,520	\$ 126,520
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.590		62,353	-
	16.736		78,021	78,021
Passed Through the Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	P0760JAGFFY13	<u>68,542</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 335,436</u></b>	<b><u>\$ 204,541</u></b>

**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number/ Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	T1A712	\$ 6,167	\$ -
Highway Planning and Construction	20.205	T1A724	57,324	-
Highway Planning and Construction	20.205	T1C082	44,157	-
Highway Planning and Construction	20.205	T1C086	165,376	-
Highway Planning and Construction	20.205	T1C087	340,182	-
Highway Planning and Construction	20.205	T1C091	12,636	-
Highway Planning and Construction	20.205	T1C097	1,540,870	-
(Total Highway Planning and Construction 20.205 \$2,166,712)				
(Total expenditures for Highway Planning and Construction Cluster \$2,179,098)				
Passed Through Minnesota Department of Natural Resources				
Highway Planning and Construction Cluster Recreational Trails Program				
(Total expenditures for Highway Planning and Construction Cluster \$2,179,098)	20.219	0034-15-2A	12,386	-
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety	20.600	F-SAFE16-2016- ITASCACO	8,944	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,188,042</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board				
Public Health Emergency Preparedness	93.069	65449	\$ 16,130	\$ -
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	4,375	-
Immunization Cooperative Agreements	93.268	IP-150302CONT16	900	-
Temporary Assistance for Needy Families	93.558	12-700-00053	52,313	-
(Total Temporary Assistance for Needy Families 93.558 \$640,628)				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC30621	61,364	-

**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number/ Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPS	23,607	-
Temporary Assistance for Needy Families	93.558	1601MNTANF	100,354	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$640,628)	93.558	1601MFTANF	487,961	-
Child Support Enforcement	93.563	1604MNCSES	55,168	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,171,258)	93.563	1604MNCEST	1,116,090	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	380	-
Child Care and Development Block Grant	93.575	G1601MNCCDF	8,765	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	13,647	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,074	-
Foster Care - Title IV-E	93.658	1601MNFOST	333,582	-
Social Services Block Grant	93.667	16-01MNSOSR	279,926	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	11,731	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,658,170	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,677,662)	93.778	05-1605MN5MAP	19,492	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010027-15	90,258	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 4,340,287</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G4CGSFY15	\$ 60,431	\$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2016- ITASCACO-1746	31,175	-
Homeland Security Grant Program	97.067	F-SHSP-2015- HSEM1ITA	85,292	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 176,898</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 8,665,263</b>	<b>\$ 204,541</b>

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**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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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, 2016. 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 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Itasca County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ITASCA COUNTY  
GRAND RAPIDS, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 8,770,623
Grants received more than 60 days after year-end, unavailable in 2016	
Temporary Assistance for Needy Families	99,306
Promoting Safe and Stable Families	1,017
Stephanie Tubbs Jones Child Welfare Services Program	670
Chafee Foster Care Independence Program	3,463
Unavailable in 2015, recognized as revenue in 2016	
Cooperative Forestry Assistance	(113,142)
Special Supplemental Nutrition Program for Women, Infants, and Children	(10,895)
Child Support Enforcement	(30,000)
Homeland Security Grant Program	<u>(55,779)</u>
 Expenditures per Schedule of Expenditures of Federal Awards	 <u>\$ 8,665,263</u>