

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT OF

ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

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 160 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 730 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**

For the Year Ended December 31, 2013



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, 2013**

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? **No**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
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 significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: Material audit adjustments were necessary make reclassifications of fund balance and adjust cash balances. 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 Unorganized Towns Road and Bridge Special Revenue Fund to correct a client entry that was posted to cash instead of expenditures. Assets decreased by \$901,414, and expenditures were increased by \$901,414.
- An audit adjustment was made in the Forfeited Tax Special Revenue Fund to reclassify fund balance of \$1,087,109 to restricted for land replacement.

Cause: The adjustments were required to correct an improper entry recording interfund receivables and payables and due to an oversight of a restriction of fund balance.

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.

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

Cash Reconciliations (2012-001)

During our audit, we noted that cash and investments were not being reconciled to the financial system on a regular basis. At December 31, 2012, there was a difference between the cash and investment records and the financial system of \$50,713 that could not be reconciled.

Resolution

Testing performed as part of the 2013 audit showed that cash and investments were being adequately reconciled between the cash and investment records and the financial system.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding 2013-001

Identification of Federal Awards

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, Subpart C, § .300, indicates auditee responsibilities include the identification of all federal awards received and expended and the federal programs under which they were received.

Condition: The County did not adequately identify amounts expended for federal awards on the Schedule of Expenditures of Federal Awards (SEFA). During our audit of the SEFA, we identified the following additional expenditures:

- The County did not identify \$138,425 as Medical Assistance Program (CFDA No. 93.778).

Questioned Costs: None

Context: In 2013, Itasca County reported federal expenditures in the amount of \$6,917,940 on their SEFA, of which \$1,139,450 were reported under the Medical Assistance Program.

Effect: The inability to identify and track federal expenditures or to detect significant misstatements in the SEFA increases the likelihood that the federal expenditures would not be fairly reported. An adjustment was made to the SEFA to include the additional \$138,425 for the Medical Assistance Program which was audited as a major federal program.

Cause: County management misclassified \$63,388 in Medical Assistance expenditures as state funds, and the County did not recognize \$75,037 in Medical Assistance expenditures as 2013 expenditures.

Recommendation: We recommend that County management develop a process, including written procedures, that will allow staff to correctly identify all federal financial assistance received and expended and communicate that information to those responsible for preparing the financial statements, including the SEFA.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

Christine Krebs

Corrective Action Planned:

Itasca County will review the current processes in place surrounding the identification of federal financial assistance received and expended to ensure controls are in place to identify all such receipts and expenditures and disclose them in the financial statements, including the SEFA.

Anticipated Completion Date:

Immediately.

IV. OTHER FINDINGS AND RECOMMENDATIONS

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 has with Wells Fargo is not current. The most current pledge agreement on file is dated 2003. Also, the Wells Fargo pledge agreement does 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 in the collateral assignments 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.

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, however, the new collateral assignment still did not have the required language and was never entered into. For Grand Rapids State Bank, the updated assignment was not written with the proper language included.

Recommendation: We recommend that the Chief Accountant obtain new collateral assignments from each of these banks. The new 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.

Client's Response:

The Chief Accountant will obtain collateral assignments and make sure they comply with Minn. Stat. § 118A.03, subd. 4.

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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

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 as of and for the year ended December 31, 2013, including the Nursing Home Enterprise Fund as of and for the year ended September 30, 2013, 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 26, 2014. Other auditors 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 that provision was not applicable.

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.

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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 26, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Itasca County

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, 2013. 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, 2013.

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 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 a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001, that we consider to be a significant deficiency.

Itasca County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs as a Corrective Action Plan. Itasca County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 as of and for the year ended December 31, 2013, 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 26, 2014, 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

REBECCA OTTO
STATE AUDITOR

September 26, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Cooperative Agreement - Wabana Creek Bridge	10.10-RO-11090320-023	\$ 12,400
Cooperative Agreement - Maki and Tilly Creek	10.12-PA-11090300-018	22,644
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	260,949
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	287,601
Passed Through Minnesota Department of Natural Resources		
Cooperative Forestry Assistance	10.664	41,531
Passed Through Minnesota Department of Management and Budget		
Schools and Roads - Grants to States	10.665	<u>227,535</u>
Total U.S. Department of Agriculture		<u>\$ 852,660</u>
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	<u>\$ 522,140</u>
U.S. Department of Justice		
Direct		
Supervised Visitation, Safe Havens for Children	16.527	\$ 135,006
Drug Court Discretionary Grant Program	16.585	84,510
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	110,608
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	114,093
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Programs/Grants to Units of Local Government - ARRA	16.804	<u>6,868</u>
Total U.S. Department of Justice		<u>\$ 451,085</u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	20.205	\$ 1,596,244
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	8,226
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	1,627
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2,125
Total U.S. Department of Transportation		\$ 1,608,222
U.S. Department of Health and Human Services		
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board		
Public Health Emergency Preparedness	93.069	\$ 45,211
Immunization Cooperative Agreements	93.268	750
Maternal and Child Health Services Block Grant to the States	93.994	56,068
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	31,992
Temporary Assistance for Needy Families	93.558	517,339
(Total Temporary Assistance for Needy Families 93.558 \$581,686)		
Child Support Enforcement	93.563	1,015,799
Refugee and Entrant Assistance - State-Administered Programs	93.566	865
Child Care Development Block Grant	93.575	20,289
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,653
Foster Care - Title IV-E	93.658	118,521
Social Services Block Grant	93.667	274,266
Chafee Foster Care Independence Program	93.674	12,403
Children's Health Insurance Program	93.767	173
Medical Assistance Program	93.778	1,277,875
Block Grants for Prevention and Treatment of Substance Abuse	93.959	49,321
Passed Through Minnesota Department of Health		
Temporary Assistance for Needy Families	93.558	64,347
(Total Temporary Assistance for Needy Families 93.558 \$581,686)		
Total U.S. Department of Health and Human Services		\$ 3,488,872

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	\$ 44,983
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	32,963
Homeland Security Grant Program	97.067	<u>55,440</u>
Total U.S. Department of Homeland Security		\$ 133,386
Total Federal Awards		\$ 7,056,365

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 entity identifying numbers are presented where available.

4. Clusters

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

Highway Safety Cluster	\$ 9,853
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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 6,454,919
Grants received more than 60 days after year-end, unavailable in 2013	
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
Unavailable in 2012, recognized as revenue in 2013	
Special Supplemental Nutrition Program for Women, Infants, and Children	(58,723)
Public Health Emergency Preparedness	(8,014)
Medical Assistance Program	(99,577)
	\$ 7,056,365
Expenditures per Schedule of Expenditures of Federal Awards	\$ 7,056,365

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
16.527	Supervised Visitation, Safe Havens for Children	\$ 135,006
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	110,608
16.736	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	114,093
	Total	\$ 359,707

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.