

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010



**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**

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2010

			<u>Term Expires</u>
Elected			
Commissioner	Lori Dowling*	District 1	January 2011
Commissioner	Catherine McLynn	District 2	January 2013
Commissioner	Karen Burthwick	District 3	January 2011
Commissioner	Russell Eichorn	District 4	January 2013
Commissioner	Mark Mandich	District 5	January 2011
Attorney	John J. Muhar		January 2011
Auditor/Treasurer	Jeffrey Walker		January 2011
County Recorder	Linda Nielsen		January 2011
County Sheriff	Pat Medure		January 2011
Appointed			
Assessor	Brian Connors		December 31, 2012
Coroner	Dr. Michael Baich		Indefinite
Coordinator	Irene Koski		May 31, 2011
Emergency Management Director	Pat Medure		January, 2011
Highway Engineer	Dave Christy		June 10, 2012
Land Commissioner	Garrett Ous		Indefinite
Surveyor	Tim Wotzka		December 20, 2011
Veterans Service Officer	Randall Carlson		Indefinite
Health and Human Services Board			
Chair	Catherine McLynn		January 2013
Vice Chair	Mark Mandich		January 2011
Member	Karen Burthwick		January 2011
Member	Lori Dowling		January 2011
Member	Russell Eichorn		January 2013
Director	Lester Kachinske		Indefinite

*Chair 2010

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Itasca County

We have audited the accompanying 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, 2010, including the Nursing Home Enterprise Fund as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Itasca County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Itasca Medical Care Enterprise Fund, which is both a major fund and 41 percent, 41 percent, and 82 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Itasca Medical Care Enterprise Fund, is based solely on the report of other auditors.

We conducted our audit 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Itasca County as of December 31, 2010, including the Nursing Home Enterprise Fund at September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Itasca County's basic financial statements taken as a whole. The supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. This 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2011, on our consideration of Itasca County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2011

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(Unaudited)**

Itasca County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2010. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$220,418,265, of which \$173,193,295 is invested in capital assets, net of related debt, and \$15,219,651 is restricted to specific purposes.
- Business-type activities have total net assets of \$11,492,911. Invested in capital assets, net of related debt, represents \$3,270,002 of the total.
- Itasca County's net assets increased by \$9,086,796 for the year ended December 31, 2010. Of the increase, \$10,020,348 was in the governmental activities' net assets, and \$933,552 represented the decrease in business-type activities' net assets.
- The net cost of governmental activities was \$24,566,769 for the current fiscal year. The net cost was funded by general revenues and contributions totaling \$34,587,117.
- Governmental funds' fund balances increased by \$562,017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Itasca County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, and the Schedule of Funding Progress - Other Postemployment Benefits, are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements report the County's

operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide Itasca County into two kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's Nursing Home, Itasca Medical Care, and Itasca Resource Center activities are reported here. Further financial information for the Itasca Medical Care (blended component unit) is available in separately issued and audited financial statements.

The government-wide financial statements can be found in Exhibits 1 and 2.

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage

money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

The basic financial statements for governmental funds can be found in Exhibits 3 through 6.

- Proprietary funds--When the County charges customers for the services it provides--whether to outside customers or to other units of the County--these services are generally reported in proprietary funds. Proprietary funds are reported in the same way activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities--such as the County's Risk Management Fund.

Proprietary fund financial statements may be found in Exhibits 7 through 9.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries, based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary funds financial statements are Exhibits 10 and 11.

THE COUNTY AS A WHOLE

Our analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

Table 1
Net Assets
(in Millions)

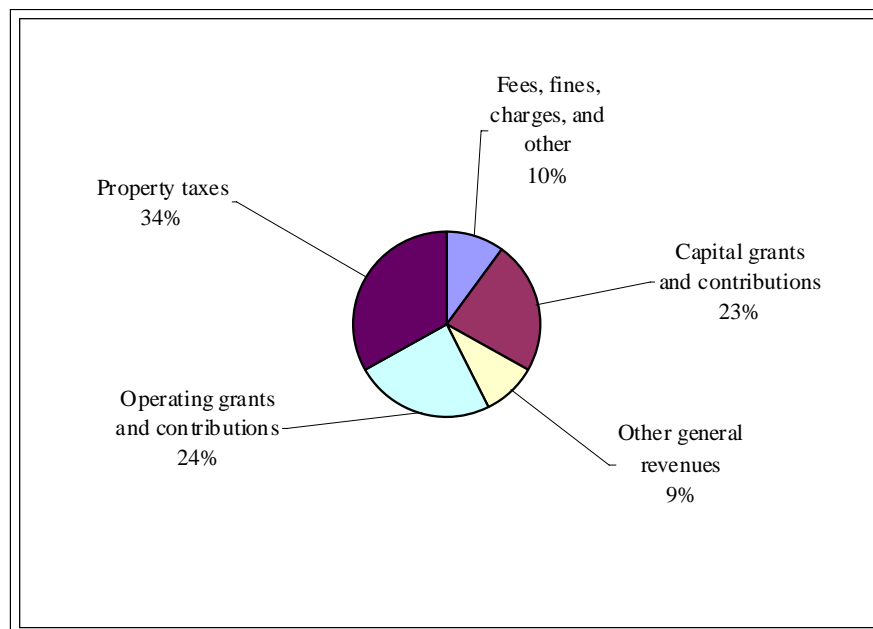
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 71.4	\$ 68.3	\$ 19.7	\$ 15.4	\$ 91.1	\$ 83.7
Capital assets	186.5	174.8	11.2	8.2	197.7	183.0
Total Assets	\$ 257.9	\$ 243.1	\$ 30.9	\$ 23.6	\$ 288.8	\$ 266.7
Long-term debt outstanding	\$ 25.2	\$ 24.7	\$ 12.6	\$ 4.4	\$ 37.8	\$ 29.1
Other liabilities	12.3	8.0	6.8	6.8	19.1	14.8
Total Liabilities	\$ 37.5	\$ 32.7	\$ 19.4	\$ 11.2	\$ 56.9	\$ 43.9
Net Assets						
Invested in capital assets, net of debt	\$ 173.2	\$ 160.3	\$ 3.3	\$ 3.5	\$ 176.5	\$ 163.8
Restricted	15.2	16.4	-	-	15.2	16.4
Unrestricted	32.0	33.7	8.2	8.9	40.2	42.6
Total Net Assets	\$ 220.4	\$ 210.4	\$ 11.5	\$ 12.4	\$ 231.9	\$ 222.8

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 8.0	\$ 12.9	\$ 53.3	\$ 52.8	\$ 61.3	\$ 65.7
Operating grants and contributions	19.0	19.4	-	-	19.0	19.4
Capital grants and contributions	18.1	23.2	-	-	18.1	23.2
General revenues						
Property taxes	26.2	25.0	-	-	26.2	25.0
Other taxes	1.0	1.5	-	-	1.0	1.5
Other general revenues	7.3	7.7	0.2	-	7.5	7.7
Total Revenues	\$ 79.6	\$ 89.7	\$ 53.5	\$ 52.8	\$ 133.1	\$ 142.5

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses						
General government	\$ 10.9	\$ 12.9	\$ -	\$ -	\$ 10.9	\$ 12.9
Public safety	11.5	11.9	-	-	11.5	11.9
Culture and recreation	1.1	1.3	-	-	1.1	1.3
Highways and streets	16.8	14.3	-	-	16.8	14.3
Human services	16.4	16.4	-	-	16.4	16.4
Health	1.5	1.6	-	-	1.5	1.6
Sanitation	1.8	1.8	-	-	1.8	1.8
Conservation of natural resources	3.0	2.9	-	-	3.0	2.9
Economic development	6.0	2.3	-	-	6.0	2.3
Interest	0.6	0.6	-	-	0.6	0.6
Nursing Home	-	-	9.4	9.8	9.4	9.8
Itasca Resource Center	-	-	0.7	0.7	0.7	0.7
Itasca Medical Care	-	-	44.3	42.2	44.3	42.2
Total Expenses	\$ 69.6	\$ 66.0	\$ 54.4	\$ 52.7	\$ 124.0	\$ 118.7
Income (Loss) Before Transfers	\$ 10.0	\$ 23.7	\$ (0.9)	\$ 0.1	\$ 9.1	\$ 23.8
Transfers in (out)	-	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ 10.0	\$ 23.7	\$ (0.9)	\$ 0.1	\$ 9.1	\$ 23.8
Net Assets - January 1	210.4	186.7	12.4	12.3	222.8	199.0
Net Assets - December 31	\$ 220.4	\$ 210.4	\$ 11.5	\$ 12.4	\$ 231.9	\$ 222.8

Total County Revenues by Source



Governmental Activities

The cost of all governmental activities this year was \$69.6 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$24.6 million because some of the cost was paid by those who directly benefited from the programs (\$8.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$37.1 million).

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Highways and streets	\$ 16.8	\$ 14.4	\$ 5.1	\$ 3.5
Human services	16.4	16.4	8.3	7.9
Public safety	11.5	11.9	8.6	9.3
General government	10.9	12.9	8.1	10.6
Economic development	6.0	-	(8.1)	-
Conservation of natural resources	-	2.9	-	(4.5)
All others	8.0	7.5	2.6	(16.3)
Totals	<u>\$ 69.6</u>	<u>\$ 66.0</u>	<u>\$ 24.6</u>	<u>\$ 10.5</u>

Business-Type Activities

Revenues of the County's business-type activities increased by 1.2 percent, and expenses increased by 3.3 percent. The majority of the increase in revenues and the increase in expenses are due to Itasca Medical Care activities.

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$51.2 million, which is above last year's total of \$50.7 million. Included in this year's total fund balance is a surplus of \$11.3 million in the County's General Fund. The governmental funds' fund balances increased by 1.1 percent over last year.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) for the County's General Fund exceeded the final budget amounts by \$1.3 million. The most significant positive variance (\$0.2 million) occurred in County Sheriff. The most significant negative variance was in the Emergency Services category (\$0.5 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the County had \$197.7 million invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$14.8 million, or 8.1 percent, over last year, due to an increase in construction in progress and machinery, furniture, and equipment. For more information on capital assets, see Note 4.A.3. to the financial statements.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 1.4	\$ 1.1	\$ 0.3	\$ 0.4	\$ 1.7	\$ 1.5
Construction in progress		23.7	3.6	-	3.6	23.7
Buildings and improvements	22.3	23.1	6.9	7.3	29.2	30.4
Machinery, furniture, and equipment	11.8	11.8	0.4	0.5	12.2	12.3
Infrastructure	151.0	115.0	-	-	151.0	115.0
Totals	<u>\$ 186.5</u>	<u>\$ 174.7</u>	<u>\$ 11.2</u>	<u>\$ 8.2</u>	<u>\$ 197.7</u>	<u>\$ 182.9</u>

Long-Term Debt

At year-end, the County had \$23.8 million in bonds and a capital lease outstanding, versus \$19.0 million last year--an increase of 25.3 percent--as shown in Table 5. This significant increase is from the issuance of \$6.1 million in bonds.

Table 5
Outstanding Debt at Year-End
(in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds (backed by the County)	\$ 12.8	\$ 13.7	\$ 6.5	\$ 0.6	\$ 19.3	\$ 14.3
Revenue bonds	-	-	4.0	4.0	4.0	4.0
Capital lease	0.5	0.7	-	-	0.5	0.7
Totals	<u>\$ 13.3</u>	<u>\$ 14.4</u>	<u>\$ 10.5</u>	<u>\$ 4.6</u>	<u>\$ 23.8</u>	<u>\$ 19.0</u>

(Unaudited)

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The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this \$167 million state-imposed limit.

Other obligations include compensated absences, provider settlements, claims and judgments, and net other postemployment benefits. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities.

- County expenditures for 2011 are budgeted to increase 7.0 percent over 2010.
- Property taxes levied have increased 1.64 percent for 2011.

CONTACTING ITASCA COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor/Treasurer, Jeffrey Walker, or the County's Chief Accountant, Christine Krebs, Itasca County Courthouse, 123 N.E. 4th Street, Grand Rapids, Minnesota 55744.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 57,730,699	\$ 12,377,937	\$ 70,108,636
Receivable - net	11,847,635	3,462,080	15,309,715
Internal balances	18,050	(18,050)	-
Inventories	1,725,847	26,770	1,752,617
Prepaid items	-	156,408	156,408
Restricted assets			
Cash and pooled investments	-	3,371,696	3,371,696
Resident trust funds	-	13,852	13,852
Excess other postemployment benefits contributions	-	95,974	95,974
Deferred charges	63,897	238,160	302,057
Capital assets			
Nondepreciable capital assets	1,409,730	3,874,083	5,283,813
Depreciable capital assets - net of accumulated depreciation	185,147,014	7,291,072	192,438,086
Total Assets	\$ 257,942,872	\$ 30,889,982	\$ 288,832,854
<u>Liabilities</u>			
Accounts payable and other current liabilities	\$ 8,049,886	\$ 5,886,370	\$ 13,936,256
Accrued interest payable	216,509	90,211	306,720
Unearned revenue	2,889,517	-	2,889,517
Contracts payable from restricted assets	-	461,521	461,521
Due to residents payable from restricted assets	-	13,852	13,852
Long-term liabilities			
Due within one year	1,199,789	300,000	1,499,789
Due in more than one year	25,168,906	12,645,117	37,814,023
Total Liabilities	\$ 37,524,607	\$ 19,397,071	\$ 56,921,678
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 173,193,295	\$ 3,270,002	\$ 176,463,297
Restricted for			
General government	929,017	-	929,017
Public safety	720,886	-	720,886
Highways and streets	226,216	-	226,216
Debt service	503,737	-	503,737
Conservation of natural resources	2,866,230	-	2,866,230
Environmental uses - expendable	566,270	-	566,270
Environmental uses - nonexpendable	9,407,295	-	9,407,295
Unrestricted	32,005,319	8,222,909	40,228,228
Total Net Assets	\$ 220,418,265	\$ 11,492,911	\$ 231,911,176

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	Expenses	Fees, Charges, Fines, and Other
Primary government		
Governmental activities		
General government	\$ 10,922,010	\$ 1,991,070
Public safety	11,537,546	604,579
Highways and streets	16,675,259	1,479,708
Sanitation	1,814,173	573,071
Human services	16,405,404	640,890
Health	1,477,295	775,952
Culture and recreation	1,165,333	54,549
Conservation of natural resources	3,038,921	1,838,367
Economic development	6,031,503	-
Interest	553,880	-
Total governmental activities	\$ 69,621,324	\$ 7,958,186
Business-type activities		
Nursing Home	\$ 9,377,181	\$ 9,169,317
Itasca Resource Center	701,778	430,888
Itasca Medical Care	44,337,694	43,716,887
Total business-type activities	\$ 54,416,653	\$ 53,317,092
Total	\$ 124,037,977	\$ 61,275,278

General Revenues

Property taxes
Taxes - other
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Gifts and contributions
Investment income
Miscellaneous
Gain from sale of assets

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 782,373	\$ 10,800	\$ (8,137,767)	\$ -	\$ (8,137,767)
1,921,931	383,547	(8,627,489)	-	(8,627,489)
7,571,353	2,545,847	(5,078,351)	-	(5,078,351)
109,898	973,140	(158,064)	-	(158,064)
7,420,217	-	(8,344,297)	-	(8,344,297)
741,204	-	39,861	-	39,861
14,987	-	(1,095,797)	-	(1,095,797)
447,228	-	(753,326)	-	(753,326)
28,000	14,145,844	8,142,341	-	8,142,341
-	-	(553,880)	-	(553,880)
\$ 19,037,191	\$ 18,059,178	\$ (24,566,769)	\$ -	\$ (24,566,769)
\$ -	\$ -	\$ -	\$ (207,864)	\$ (207,864)
-	-	-	(270,890)	(270,890)
-	-	-	(620,807)	(620,807)
\$ -	\$ -	\$ -	\$ (1,099,561)	\$ (1,099,561)
\$ 19,037,191	\$ 18,059,178	\$ (24,566,769)	\$ (1,099,561)	\$ (25,666,330)
		\$ 26,201,461	\$ -	\$ 26,201,461
		1,044,418	-	1,044,418
		724,360	-	724,360
		5,060,510	-	5,060,510
		-	885	885
		816,500	61,454	877,954
		685,055	103,670	788,725
		54,813	-	54,813
		\$ 34,587,117	\$ 166,009	\$ 34,753,126
		\$ 10,020,348	\$ (933,552)	\$ 9,086,796
		210,397,917	12,426,463	222,824,380
		\$ 220,418,265	\$ 11,492,911	\$ 231,911,176

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge	Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 10,324,923	\$ 10,220,771	\$ 7,711,288
Petty cash and change funds	9,470	50	350
Undistributed cash in agency funds	532,840	306,177	457,122
Taxes receivable - prior	413,470	315,351	385,827
Special assessments receivable - prior	-	-	-
Accounts receivable	212,138	13,346	18,364
Accrued interest receivable	209,099	-	-
Due from other funds	775,690	531,734	22,217
Due from other governments	423,969	1,701,667	1,483,623
Loans receivable	185,483	-	-
Inventories	4,543	1,721,304	-
	\$ 13,091,625	\$ 14,810,400	\$ 10,078,791
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 375,776	\$ 565,605	\$ 772,903
Salaries payable	765,523	378,088	484,109
Escheat property payable	9,142	-	-
Contracts payable	-	262,135	-
Due to other funds	4,177	-	142,948
Due to other governments	4,916	10,068	820,095
Deferred revenue - unavailable	676,280	991,258	674,411
Deferred revenue - unearned	-	2,889,517	-
	\$ 1,835,814	\$ 5,096,671	\$ 2,894,466
 Fund Balances			
Reserved for			
Inventories	\$ 4,543	\$ 1,721,304	\$ -
Recorder's equipment purchases	-	-	-
Recorder's compliance fund	-	-	-
Enhanced 911	583,528	-	-
Permit to carry gun fees	137,358	-	-
Land replacement	-	-	-
Environmental improvements	-	-	-
Unreserved, undesignated	10,530,382	7,992,425	7,184,325
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Debt service fund	-	-	-
	\$ 11,255,811	\$ 9,713,729	\$ 7,184,325
Total Fund Balances	\$ 11,255,811	\$ 9,713,729	\$ 7,184,325
Total Liabilities and Fund Balances	\$ 13,091,625	\$ 14,810,400	\$ 10,078,791

EXHIBIT 3

<u>Forfeited Tax</u>	<u>Capital Projects</u>	<u>Environmental Permanent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,319,393	\$ 1,887,323	\$ 9,905,505	\$ 6,429,323	\$ 52,798,526
-	-	-	325	10,195
-	-	-	172,328	1,468,467
-	-	-	118,537	1,233,185
-	-	-	155,005	155,005
4,872,556	5,313	-	56,538	5,178,255
-	-	68,060	-	277,159
-	-	-	2,014,284	3,343,925
6,939	971,275	-	137,299	4,724,772
-	67,000	-	-	252,483
-	-	-	-	1,725,847
<u>\$ 11,198,888</u>	<u>\$ 2,930,911</u>	<u>\$ 9,973,565</u>	<u>\$ 9,083,639</u>	<u>\$ 71,167,819</u>
\$ -	\$ 808,509	\$ -	\$ 44,637	\$ 2,567,430
-	-	-	84,830	1,712,550
-	-	-	-	9,142
-	-	-	-	262,135
2,643,094	-	-	535,656	3,325,875
811,743	28,548	-	-	1,675,370
4,368,097	528,771	-	273,542	7,512,359
-	-	-	-	2,889,517
<u>\$ 7,822,934</u>	<u>\$ 1,365,828</u>	<u>\$ -</u>	<u>\$ 938,665</u>	<u>\$ 19,954,378</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,725,847
-	537,018	-	-	537,018
-	391,999	-	-	391,999
-	-	-	-	583,528
-	-	-	-	137,358
2,866,230	-	-	-	2,866,230
-	-	9,973,565	-	9,973,565
509,724	636,066	-	-	26,852,922
-	-	-	7,641,237	7,641,237
-	-	-	503,737	503,737
<u>\$ 3,375,954</u>	<u>\$ 1,565,083</u>	<u>\$ 9,973,565</u>	<u>\$ 8,144,974</u>	<u>\$ 51,213,441</u>
<u>\$ 11,198,888</u>	<u>\$ 2,930,911</u>	<u>\$ 9,973,565</u>	<u>\$ 9,083,639</u>	<u>\$ 71,167,819</u>

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balances - total governmental funds (Exhibit 3)		\$ 51,213,441
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		186,556,744
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. See Note 2.A. for details.		5,694,903
Internal service funds are used by management to charge the costs of self-insurance to individual funds. Internal service fund assets and liabilities are included in governmental activities in the statement of net assets.		
Total internal service fund net assets		2,796,076
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (12,840,000)	
Bond discount	45,469	
Capital lease	(523,449)	
Compensated absences	(6,326,541)	
Net other postemployment benefits liability	(6,045,766)	
Accrued interest payable	(216,509)	
Deferred debt issuance charges	63,897	
	(25,842,899)	(25,842,899)
Net Assets of Governmental Activities (Exhibit 1)		\$ 220,418,265

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
Revenues			
Taxes	\$ 9,795,553	\$ 6,277,168	\$ 8,148,027
Special assessments	-	-	-
Licenses and permits	80,309	-	-
Intergovernmental	5,900,125	11,749,020	9,401,476
Charges for services	971,141	1,281,191	894,357
Fines and forfeits	61,387	-	-
Gifts and contributions	5,574	-	-
Investment earnings	397,825	-	-
Miscellaneous	1,078,230	579,988	554,885
Total Revenues	\$ 18,290,144	\$ 19,887,367	\$ 18,998,745
Expenditures			
Current			
General government	\$ 7,722,003	\$ -	\$ -
Public safety	10,061,386	-	-
Highways and streets	-	18,420,611	-
Sanitation	19,238	-	-
Human services	-	-	15,674,854
Health	-	-	1,683,901
Culture and recreation	300,773	-	-
Conservation of natural resources	175,718	-	-
Economic development	-	-	-
Debt service			
Principal	-	196,685	-
Interest	-	21,161	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 18,279,118	\$ 18,638,457	\$ 17,358,755
Excess of Revenues Over (Under)			
Expenditures	\$ 11,026	\$ 1,248,910	\$ 1,639,990
Other Financing Sources (Uses)			
Transfers in	\$ 628,820	\$ -	\$ 4,586
Transfers out	(1,566,543)	(50,000)	-
Total Other Financing Sources (Uses)	\$ (937,723)	\$ (50,000)	\$ 4,586
Net Change in Fund Balance	\$ (926,697)	\$ 1,198,910	\$ 1,644,576
Fund Balance - January 1	12,181,511	8,555,154	5,539,749
Increase (decrease) in reserved for inventories	997	(40,335)	-
Fund Balance - December 31	\$ 11,255,811	\$ 9,713,729	\$ 7,184,325

EXHIBIT 5

<u>Forfeited Tax</u>	<u>Capital Projects</u>	<u>Environmental Permanent</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,842,096	\$ 27,062,844
-	-	-	960,930	960,930
-	-	-	500	80,809
-	14,214,188	-	775,527	42,040,336
-	129,293	-	574,482	3,850,464
-	-	-	-	61,387
-	-	-	-	5,574
-	-	370,162	4,586	772,573
3,665,371	433,586	-	512,518	6,824,578
\$ 3,665,371	\$ 14,777,067	\$ 370,162	\$ 5,670,639	\$ 81,659,495
\$ 1,669,543	\$ 402,181	\$ -	\$ 660,184	\$ 10,453,911
-	554,207	-	657,949	11,273,542
-	-	-	1,749,891	20,170,502
-	212,738	-	1,639,770	1,871,746
-	-	-	-	15,674,854
-	-	-	-	1,683,901
-	-	-	841,587	1,142,360
1,460,441	-	429,553	928,232	2,993,944
-	14,128,100	-	-	14,128,100
-	-	-	910,000	1,106,685
-	-	-	536,146	557,307
-	-	-	1,288	1,288
\$ 3,129,984	\$ 15,297,226	\$ 429,553	\$ 7,925,047	\$ 81,058,140
\$ 535,387	\$ (520,159)	\$ (59,391)	\$ (2,254,408)	\$ 601,355
\$ -	\$ 196,018	\$ -	\$ 2,558,256	\$ 3,387,680
(1,434,041)	-	(262,868)	(74,228)	(3,387,680)
\$ (1,434,041)	\$ 196,018	\$ (262,868)	\$ 2,484,028	\$ -
\$ (898,654)	\$ (324,141)	\$ (322,259)	\$ 229,620	\$ 601,355
4,274,608	1,889,224	10,295,824	7,915,354	50,651,424
-	-	-	-	(39,338)
\$ 3,375,954	\$ 1,565,083	\$ 9,973,565	\$ 8,144,974	\$ 51,213,441

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 601,355

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. For details of the adjustment, see Note 2.B. (1,983,250)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 17,444,691	
Current year depreciation	<u>(5,575,075)</u>	11,869,616

In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of. (78,500)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayment		
General obligation bonds	\$ 910,000	
Capital lease	<u>196,685</u>	1,106,685

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 13,771	
Amortization of deferred issuance costs	(5,288)	
Amortization of bond discount	(3,768)	
Change in compensated absences	255,999	
Change in net other postemployment benefits liability	(2,042,070)	
Change in inventories	<u>(39,338)</u>	(1,820,694)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) revenue of the internal services funds is reported with governmental activities.

Change in net assets of the Internal Service Fund		<u>325,136</u>
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Change in Net Assets of Governmental Activities (Exhibit 2) \$ 10,020,348

PROPRIETARY FUNDS

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Nursing Home	Itasca Medical Care	Itasca Resource Center (Nonmajor)	Totals	
Assets					
Current assets					
Cash and pooled investments	\$ 1,404,563	\$ 10,101,986	\$ 869,828	\$ 12,376,377	\$ 3,453,511
Petty cash and change funds	1,560	-	-	1,560	-
Accounts receivable - net	1,024,649	2,437,431	-	3,462,080	19,500
Accrued interest receivable	-	-	-	-	7,276
Inventories	26,770	-	-	26,770	-
Prepaid items	156,408	-	-	156,408	-
Total current assets	\$ 2,613,950	\$ 12,539,417	\$ 869,828	\$ 16,023,195	\$ 3,480,287
Restricted assets					
Cash and pooled investments					
Construction	\$ 3,044,463	-	-	\$ 3,044,463	-
Bond reserve	327,233	-	-	327,233	-
Resident trust funds	13,852	-	-	13,852	-
Total restricted assets	\$ 3,385,548	\$ -	\$ -	\$ 3,385,548	\$ -
Noncurrent assets					
Excess other postemployment benefits contributions	\$ 95,974	-	-	\$ 95,974	-
Deferred debt issuance costs	238,160	-	-	238,160	-
Capital assets					
Nondepreciable	3,617,283	-	256,800	3,874,083	-
Depreciable - net	6,781,127	-	509,945	7,291,072	-
Total noncurrent assets	\$ 10,732,544	\$ -	\$ 766,745	\$ 11,499,289	\$ -
Total Assets	\$ 16,732,042	\$ 12,539,417	\$ 1,636,573	\$ 30,908,032	\$ 3,480,287

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

*EXHIBIT 7
(Continued)*

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Nursing Home	Itasca Medical Care	Itasca Resource Center (Nonmajor)	Totals	
Liabilities					
Current liabilities					
Accounts payable	\$ 219,958	\$ 691,337	\$ 2,893	\$ 914,188	\$ 55
Salaries payable	152,443	224,865	-	377,308	5,748
Compensated absences payable - current	177,713	-	-	177,713	-
Claims and judgments payable - current	-	4,411,147	-	4,411,147	-
Due to other funds	-	-	18,050	18,050	-
Due to other governments	-	-	6,014	6,014	-
Accrued interest payable	90,211	-	-	90,211	-
General obligation bonds payable - current	210,000	-	-	210,000	-
Revenue bonds payable - current	90,000	-	-	90,000	-
Total current liabilities	\$ 940,325	\$ 5,327,349	\$ 26,957	\$ 6,294,631	\$ 5,803
Current liabilities payable from restricted assets					
Due to residents	\$ 13,852	\$ -	\$ -	\$ 13,852	\$ -
Construction contracts payable	461,521	-	-	461,521	-
Total current liabilities payable from restricted assets	\$ 475,373	\$ -	\$ -	\$ 475,373	\$ -
Noncurrent liabilities					
Claims and judgments payable	\$ -	\$ -	\$ -	\$ -	\$ 678,408
General obligation refunding bonds payable	215,680	-	-	215,680	-
General obligation bonds payable	6,082,415	-	-	6,082,415	-
Provider settlements	-	2,467,022	-	2,467,022	-
Revenue bonds payable	3,880,000	-	-	3,880,000	-
Total noncurrent liabilities	\$ 10,178,095	\$ 2,467,022	\$ -	\$ 12,645,117	\$ 678,408
Total Liabilities	\$ 11,593,793	\$ 7,794,371	\$ 26,957	\$ 19,415,121	\$ 684,211
Net Assets					
Invested in capital assets - net of related debt	\$ 2,503,257	\$ -	\$ 766,745	\$ 3,270,002	\$ -
Unrestricted	2,634,992	4,745,046	842,871	8,222,909	2,796,076
Total Net Assets	\$ 5,138,249	\$ 4,745,046	\$ 1,609,616	\$ 11,492,911	\$ 2,796,076

The notes to the financial statements are an integral part of this statement.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Nursing Home	Itasca Medical Care	Itasca Resource Center (Nonmajor)	Totals	Internal Service Fund
Operating Revenues					
Charges for services	\$ -	\$ -	\$ 430,888	\$ 430,888	\$ -
Patient services	7,567,925	-	-	7,567,925	-
Insurance dividends	-	-	-	-	236,848
Miscellaneous	1,601,392	408,567	-	2,009,959	566,254
Capitation revenue	-	43,308,320	-	43,308,320	-
Total Operating Revenues	\$ 9,169,317	\$ 43,716,887	\$ 430,888	\$ 53,317,092	\$ 803,102
Operating Expenses					
Capitation expense	\$ -	\$ 651,374	\$ -	\$ 651,374	\$ -
Provider settlements	-	3,884,631	-	3,884,631	-
Pharmacy claims	-	5,125,143	-	5,125,143	-
Medical claims	-	30,849,482	-	30,849,482	-
Employee benefits and payroll taxes	1,116,403	-	53,280	1,169,683	-
Other postemployment benefits	58,191	-	-	58,191	-
Professional services	-	-	86,655	86,655	3,020
Nursing services	3,346,230	-	-	3,346,230	-
Plant operations	933,560	-	-	933,560	-
Claims paid	-	-	-	-	208,637
Administration and fiscal services	1,020,569	3,827,064	-	4,847,633	-
Other care-related	275,991	-	-	275,991	-
Other services and charges	719,352	-	-	719,352	-
Supplies	-	-	35,991	35,991	4
Payroll	-	-	117,659	117,659	66,128
Employee benefits	-	-	-	-	25,352
Travel	-	-	-	-	1,105
Telephone	-	-	11,031	11,031	842
Utilities	-	-	75,006	75,006	-
Fuel	-	-	18,168	18,168	-
Insurance	-	-	-	-	213,776
Staff training	-	-	-	-	2,491
Licenses and dues	-	-	-	-	399
Postage	-	-	-	-	47
Vehicle expense	-	-	-	-	92
Other property and related costs	72,635	-	-	72,635	-
Laundry	105,119	-	-	105,119	-
Dietary	849,447	-	-	849,447	-
Housekeeping	206,040	-	-	206,040	-
Amortization	19,548	-	-	19,548	-
Depreciation	401,845	-	266,424	668,269	-
Repairs	-	-	37,564	37,564	-
Total Operating Expenses	\$ 9,124,930	\$ 44,337,694	\$ 701,778	\$ 54,164,402	\$ 521,893

The notes to the financial statements are an integral part of this statement.

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**EXHIBIT 8
(Continued)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Nursing Home</u>	<u>Itasca Medical Care</u>	<u>Itasca Resource Center (Nonmajor)</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Operating Income (Loss)	\$ 44,387	\$ (620,807)	\$ (270,890)	\$ (847,310)	\$ 281,209
Nonoperating Revenues (Expenses)					
Interest income	\$ 14,694	\$ 46,760	\$ -	\$ 61,454	\$ 43,927
Miscellaneous revenue	103,670	-	-	103,670	-
Contributions and donations	885	-	-	885	-
Interest expense	(244,865)	-	-	(244,865)	-
Loss on bond refinancing	(7,386)	-	-	(7,386)	-
Total Nonoperating Revenues (Expenses)	\$ (133,002)	\$ 46,760	\$ -	\$ (86,242)	\$ 43,927
Change in Net Assets	\$ (88,615)	\$ (574,047)	\$ (270,890)	\$ (933,552)	\$ 325,136
Net Assets - Beginning	5,226,864	5,319,093	1,880,506	12,426,463	2,470,940
Net Assets - Ending	\$ 5,138,249	\$ 4,745,046	\$ 1,609,616	\$ 11,492,911	\$ 2,796,076

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Nursing Home	Itasca Medical Care	Itasca Resource Center (Nonmajor)	Totals	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 9,388,170	\$ -	\$ 484,247	\$ 9,872,417	\$ -
Receipts from internal services provided	-	-	-	-	566,586
Receipts from capitation and other	-	43,183,442	-	43,183,442	-
Receipts from other operating revenue	-	-	-	-	236,848
Receipts from miscellaneous nonoperating revenue	103,670	-	-	103,670	-
Payments to suppliers	(4,642,247)	-	(256,413)	(4,898,660)	(607,633)
Payments to employees	(4,120,119)	-	(170,939)	(4,291,058)	(90,880)
Payments to providers, suppliers, and employees	-	(41,608,503)	-	(41,608,503)	-
Net cash provided by (used in) operating activities	\$ 729,474	\$ 1,574,939	\$ 56,895	\$ 2,361,308	\$ 104,921
Cash Flows from Noncapital Financing Activities					
Contributions and donations	\$ 885	\$ -	\$ -	\$ 885	\$ -
Cash Flows from Capital and Related Financing Activities					
Proceeds from issuance of bonds	\$ 6,705,274	\$ -	\$ -	\$ 6,705,274	\$ -
Interest subsidy	95,473	-	-	95,473	-
Acquisition of capital assets	(2,896,243)	-	(68,914)	(2,965,157)	-
Principal paid on bonds	(890,000)	-	-	(890,000)	-
Interest paid on bonds	(502,523)	-	-	(502,523)	-
Bond issuance costs	(157,694)	-	-	(157,694)	-
Bond administration fees	(3,824)	-	-	(3,824)	-
Net cash provided by (used in) capital and related financing activities	\$ 2,350,463	\$ -	\$ (68,914)	\$ 2,281,549	\$ -
Cash Flows from Investing Activities					
Interest received	\$ 14,694	\$ 46,760	\$ -	\$ 61,454	\$ 38,836
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,095,516	\$ 1,621,699	\$ (12,019)	\$ 4,705,196	\$ 143,757
Cash and Cash Equivalents					
Beginning	1,680,743	8,480,287	881,847	11,042,877	3,309,754
Ending	\$ 4,776,259	\$ 10,101,986	\$ 869,828	\$ 15,748,073	\$ 3,453,511

The notes to the financial statements are an integral part of this statement.

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Nursing Home</u>	<u>Itasca Medical Care</u>	<u>Itasca Resource Center (Nonmajor)</u>	<u>Totals</u>	<u>Activities Internal Service Fund</u>
Cash and Cash Equivalents - Exhibit 7					
Cash and pooled investments	\$ 1,404,563	\$ 10,101,986	\$ 869,828	\$ 12,376,377	\$ 3,453,511
Restricted cash and pooled investments	3,371,696	-	-	3,371,696	-
Total Cash and Cash Equivalents	<u>\$ 4,776,259</u>	<u>\$ 10,101,986</u>	<u>\$ 869,828</u>	<u>\$ 15,748,073</u>	<u>\$ 3,453,511</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating Income (Loss)	<u>\$ 44,387</u>	<u>\$ (620,807)</u>	<u>\$ (270,890)</u>	<u>\$ (847,310)</u>	<u>\$ 281,209</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation expense	\$ 401,845	\$ -	\$ 266,424	\$ 668,269	\$ -
Amortization expense	19,548	-	-	19,548	-
Miscellaneous nonoperating revenue	103,670	-	-	103,670	-
(Increase) decrease in					
Accounts receivable	218,853	(533,445)	98	(314,494)	332
Provider settlement receivable	-	906,420	-	906,420	-
Due from other funds	-	-	35,211	35,211	-
Inventories	13,940	-	-	13,940	-
Prepaid items	(74,266)	-	-	(74,266)	-
Excess other postemployment benefits contributions	(35,730)	-	-	(35,730)	-
Increase (decrease) in					
Accounts payable	14,964	62,476	1,988	79,428	-
Salaries payable	6,804	-	-	6,804	600
Accrued vacation payable	15,459	-	-	15,459	-
Due to other funds	-	-	18,050	18,050	-
Due to other governments	-	-	6,014	6,014	(18,616)
Claims payable	-	1,761,750	-	1,761,750	(158,604)
Other current liabilities	-	(1,455)	-	(1,455)	-
Total adjustments	<u>\$ 685,087</u>	<u>\$ 2,195,746</u>	<u>\$ 327,785</u>	<u>\$ 3,208,618</u>	<u>\$ (176,288)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 729,474</u>	<u>\$ 1,574,939</u>	<u>\$ 56,895</u>	<u>\$ 2,361,308</u>	<u>\$ 104,921</u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	<u>Cemetery Investment Trust</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 4,957	\$ 5,253,624
Investments	154,800	-
Receivables		
Interest	793	-
Total Assets	<u>\$ 160,550</u>	<u>\$ 5,253,624</u>
<u>Liabilities</u>		
Taxes collected in advance	\$ -	\$ 22,978
Due to other governments	4,602	5,230,646
Total Liabilities	<u>\$ 4,602</u>	<u>\$ 5,253,624</u>
<u>Net Assets</u>		
Net assets held in trust for participants	<u>\$ 155,948</u>	

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Cemetery Investment Trust</u>
<u>Additions</u>	
Investment earnings	\$ 5,515
<u>Deductions</u>	
Distributions to participants	<u>44,171</u>
Change in Net Assets	\$ (38,656)
Net Assets - Beginning of the Year	<u>194,604</u>
Net Assets - End of the Year	<u><u>\$ 155,948</u></u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so.

A. Financial Reporting Entity

Itasca County was established March 10, 1891, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Itasca County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Itasca County has two blended component units.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Itasca Medical Care	County Commissioners are the governing body.	Available at: Finance Department IMCare 1209 S.E. 2nd Avenue Grand Rapids, Minnesota 55744

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Itasca County Regional Railroad Authority	County Commissioners are the governing body.	Separate financial statements are not prepared. The transactions of the Regional Railroad Authority are reported in the General Fund.

Itasca Medical Care was created by the Itasca County Health and Human Services (ICHHS) Board on July 1, 1982, under Minn. Stat. § 256B.692, which empowers the elected Board of County Commissioners to operate, control, and manage all matters concerning the County's health care functions.

Joint Ventures

Joint Ventures - The County is involved in several joint ventures with surrounding counties and other units of government. Details on these joint ventures are included in Note 7.D.

Jointly-Governed Organizations - The County is involved with several jointly-governed organizations. Details on these jointly-governed organizations are included in Note 7.E.

Related Organization - A related organization is discussed in Note 7.F.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Health and Human Services Special Revenue Fund is used to account for health programs, economic assistance, and community social services programs.

The Forfeited Tax Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282 and for timber sales from these tax-forfeited lands. Revenues in excess of expenditures are distributed according to Minnesota statutes.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Environmental Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. These funds may only be spent on improvement of natural resources.

The County reports the following major proprietary funds:

The Nursing Home Enterprise Fund is used to account for the operations of the County's nursing home in Grand Rapids. Activities necessary to provide nursing home services are accounted for in this fund.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Itasca Medical Care Enterprise Fund is used to account for the operations of Itasca Medical Care. Activities necessary to operate, control, and manage all matters concerning the County's health care functions are accounted for in this fund.

Additionally, the County reports the following fund types:

The Risk Management Internal Service Fund is used to account for the self-insured workers' compensation program. Financing is provided by charges to the various participating governmental funds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and the related costs of general obligation bonds.

The Cemetery Investment Trust Fund accounts for the pooled and nonpooled investments held on behalf of external participants.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Itasca County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were \$463,865.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

The County Auditor/Treasurer invests the funds of the Risk Management Internal Service Fund, Cemetery Trust Fund, and Environmental Trust Fund separately from pooled investments. Investment earnings on these funds for 2010 were \$419,604.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Loans receivable consist of a loan made to the Grand Rapids-Itasca County Joint Airport Commission to finance the construction of airport improvements and loans made to individuals to improve septic systems.

4. Inventories and Prepaid Items

The supplies inventory in the General Fund is stated at cost determined by the first-in, first-out method. The Road and Bridge Special Revenue Fund inventory is valued at cost using the average cost method and consists of expendable supplies and parts held for consumption. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

The supplies inventories in the Nursing Home Enterprise Fund are stated at cost determined by the first-in, first-out method. The cost of the inventory in the enterprise funds is recorded as an expense at the time the inventory is consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Building improvements	5 - 25
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 15

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Unused accumulated vacation and vested sick leave are paid to employees upon termination, or vested sick leave is applied toward payment of 50 percent dependent health coverage. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to them at termination.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

2. Reconciliations

A. Governmental Funds Balance Sheet and Statement of Net Assets

Exhibit 4 provides a reconciliation between fund balances as reported in the governmental funds balance sheet and net assets--governmental activities as reported in the statement of net assets. One element of that reconciliation is "other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds." The details of this \$5,694,903 are as follows:

Included in the long-term assets are receivables for forfeited tax sales. Forfeited tax sales are distributed to the County and certain governments within the County. Receivables not available to pay current expenditures have been deferred in the funds. Included in these receivables are amounts that will be paid to other governments when received. In the government-wide financial statements, the deferred revenue is reported as revenue for the County's portion and as due to other governments for the liability.

Deferred revenue	\$ 7,512,359
Due to other governments	<u>(1,817,456)</u>
Adjustment to Increase Fund Balances to Arrive at Net Assets--Governmental Activities	<u>\$ 5,694,903</u>

B. Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities

Exhibit 6 provides a reconciliation between the increase in governmental funds' fund balance and the increase in net assets--governmental activities. One element of that increase is "in the funds, under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned." The adjustment to revenues is the increase or decrease in revenues deferred as unavailable. The details of the \$(1,983,250) adjustment are:

Deferred revenue at December 31, 2010	\$ 7,512,359
Deferred revenue at December 31, 2009	<u>(7,753,168)</u>
Decrease in deferred revenue	\$ (240,809)
Deduct: Increase in deferred revenue attributable to forfeited tax sales, reported as due to other governments	<u>(1,742,441)</u>
Adjustment to Change in Fund Balances to Arrive at Change in Net Assets--Governmental Activities	<u>\$ (1,983,250)</u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

3. Stewardship, Compliance, and Accountability

The following funds had expenditures in excess of budget for the year ended December 31, 2010:

	Budget	Expenditures	Excess
General Fund	\$ 16,929,045	\$ 18,279,118	\$ 1,350,073
Road and Bridge Special Revenue Fund	14,901,110	18,638,457	3,737,347
Debt Service Fund	1,428,675	1,447,434	18,759

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Primary government		
Cash and pooled investments	\$	70,108,636
Restricted assets		
Cash and pooled investments		3,371,696
Fiduciary funds		
Cash and pooled investments		
Investment trust funds		4,957
Agency funds		5,253,624
Investments		
Investment trust funds		154,800
Total Cash and Investments	\$	78,893,713

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better, irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County has a policy requiring certificates of deposit to be collateralized in accordance with Minnesota statutes. The policy requires collateral to be deposited in the name of Itasca County and subject to release by the County Auditor/Treasurer. As of December 31, 2010, the primary government’s bank balances of \$25,764,301 were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County's policy is to invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2010, the County had investments of \$456,968 in the Franklin Fund Mutual Fund and \$6,821,194 in the MM Federated US Treasury Cash Reserve Fund, which were both rated AAA by Standard and Poor's.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. To minimize this risk, it is the County's policy to investigate brokers/dealers' credit worthiness prior to investment. Brokers/dealers must be selected by the County Auditor-Treasurer within the restrictions prescribed by Minn. Stat. ch. 118A. Broker/dealers may hold investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC insurance protection available.

At December 31, 2010, Itasca County had \$18,618,340 of U. S. governmental securities and \$24,609,271 of state and local government securities which were both acquired and held by the counterparty's same trust department. These investments were subject to custodial credit risk.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. County policy is to minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The following table presents the County's deposit and investment balances at December 31, 2010, and the information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association	AAA	Moody's/S&P		09/30/2013	\$ 997,300
Federal National Mortgage Association	AAA	Moody's/S&P		09/16/2014	526,645
Federal National Mortgage Association	AAA	Moody's/S&P		09/30/2015	1,967,320
Federal National Mortgage Association	AAA	Moody's/S&P		11/23/2015	965,160
Total Federal National Mortgage Association			8.2%		\$ 4,456,425
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/20/2011	\$ 504,615
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/10/2011	505,740
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/27/2011	503,660
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/13/2012	511,310
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/13/2012	766,965
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		01/16/2013	507,935
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/12/2014	531,440
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/12/2014	797,160
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/12/2014	418,568
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/12/2014	894,689
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/20/2015	1,962,440
Total Federal Home Loan Bank Bonds			14.5%		\$ 7,904,522
Federal Farm Credit Bank	AAA	Moody's/S&P		11/16/2015	\$ 412,620
Federal Farm Credit Bank	AAA	Moody's/S&P		11/16/2015	1,456,305
Total Federal Farm Credit Bank			<5%		\$ 1,868,925

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Mortgage Corporation	AAA	Moody's/S&P		09/21/2012	\$ 512,800
Federal Home Loan Mortgage Corporation	AAA	Moody's/S&P		02/09/2015	1,041,130
Total Federal Home Loan Mortgage Corporation			<5%		\$ 1,553,930
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		04/15/2011	\$ 556,176
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		04/15/2012	559,093
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		07/15/2012	323,428
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		04/15/2013	533,684
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		07/15/2013	317,926
U.S. Treasury Inflation Protected Securities	AAA	Moody's/S&P		04/14/2015	544,231
Total U.S. Treasury Inflation Protected Securities			5.2%		\$ 2,834,538
Investment pools/mutual funds					
Franklin Fund Mutual Fund	AAAF	S&P	<5%	N/A	\$ 456,968
MM Federated US Treasury Cash Reserve	Aaa	Moody's	<5%	N/A	44,052
MM Federated US Treasury Cash Reserve	Aaa	Moody's	12.4%	N/A	6,777,142
Total investment pools/mutual funds					\$ 7,278,162
State and Local Securities					
Mississippi Dev Bk Spl Oblig	AA-	S&P		03/01/11	\$ 150,011
Spearfish SD Sch - Build America Bonds	AA-	S&P		12/01/11	100,140
St Charles Ill Pk Dist - Build America Bonds	AA	S&P		12/15/11	250,090
Duneland Ind Sch Corp Chestert	AA+	S&P		01/15/12	301,161
Oxford MI Schs - Build America Bonds	AA-	S&P		05/01/12	200,344
Trinity River Auth Tex Contrac - Taxable	AA-	S&P		08/01/12	502,200
Oxford MI - Build America Bonds	AA-	S&P		05/01/13	100,986
Sheboygan Cnty Wis - Build America Bonds	Aa1	Moody's		05/01/13	152,613
Duneland Ind Sch Chester Ref-Taxable	AA+	S&P		07/15/13	255,458
Sounth Bend Ind - Build America Bonds	AA-	S&P		07/15/13	200,206
Pewaukee Wis - Build America Bonds	AA1/A-	Moody's/S&P		09/01/13	101,322
JEA FLA Bulk Pwr - Build America Bonds	AA2/AA-	Moody's/S&P		10/01/13	151,802
JEA FLA Bulk Pwr - Build America Bonds	AA2/AA-	Moody's/S&P		10/01/13	253,003
Colorado Springs Colo Utils	AA2/AA	Moody's/S&P		11/15/13	350,283
Hudson Cnty N J Impt Auth	Aa3	Moody's		01/01/14	347,637
De Kalb & Kane Cntys Ill Cmnty	AA+	S&P		02/01/14	250,065
Camden Cnty NJ - Build America Bonds	AA2/AA-	Moody's/S&P		02/12/14	345,114
Haverford PA Sch - Build America Bonds	AA3/AA+	Moody's/S&P		03/01/14	219,245
Mississippi Dev BK SPL Oblig	AA-	S&P		03/01/14	251,335
Lodi N J Sch Dist	Aa2	Moody's		03/01/14	229,959
Gig Harbor Wash - Build America Bonds	AA-	S&P		04/01/14	126,211
Chippewa Valley Mich Schs	AA-	S&P		05/01/14	352,572
Columbus Oh Recovery Zone Economic Dev	AAA	Moody's/S&P		06/01/14	351,081
Commonwealth Fing - Build America Bonds	AA3/AA-	Moody's/S&P		06/01/14	361,788
Cuyahoga Cnty Ohio Economic Dev	AA2/AA	Moody's/S&P		06/01/14	298,119
District Columbia - Build America Bonds	AA2/A+	Moody's/S&P		06/01/14	355,320

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
State and Local Securities (Continued)					
Kauai Cnty Hawaii - Build America Bonds	AA2/AA	Moody's/S&P		08/01/14	253,665
Kauai Cnty Hawaii - Build America Bonds	AA2/AA	Moody's/S&P		08/01/14	253,665
Trinity River Auth Tex	AA-	S&P		08/01/14	127,541
Douglas Cnty Wash Pub Util	AA3/AA	Moody's/S&P		09/01/14	200,392
Manatee Cnty Fla Pub Utils Rev	Aa2	Moody's		10/01/14	150,278
New York NY	AA2/AA	Moody's/S&P		10/01/14	288,392
Menomonee Falls Wis	Aa2	Moody's		11/01/14	210,330
Menomonee Falls Wis	Aa2	Moody's		11/01/14	105,165
University Okla Revs	Aa3	Moody's		11/01/14	221,082
Miami Twp Ohio - Build America Bonds	Aa2	Moody's		12/01/14	151,272
Akron Ohio - Build America Bonds	AA-	S&P		12/01/14	345,818
Chicago Ill Brd Ed	AA2/AA-	Moody's/S&P		12/01/14	147,426
Medina Ohio - Build America Bonds	Aa1/NA	Moody's		12/01/14	349,440
Mercer Cnty NJ Improvement Authority	AA1/AA+	Moody's/S&P		12/01/14	357,396
Northwestern Oh Sch - Build America Bonds	Aa2	Moody's		12/01/14	247,325
Schiller Park Ill	AA	S&P		12/01/14	101,786
Champaign Cnty Ill Build America Bonds	AA-	S&P		01/01/15	148,105
Liberty Cnty Ariz Sch - Build America Bonds	Aa3	Moody's		02/01/15	250,915
Sarasota Fla Sales Tax - Build America Bonds	AA3/AA+	Moody's/S&P		02/01/15	122,511
Bexar Cnty Tex Hosp - Build America Bonds	AA1/AA+	Moody's/S&P		02/15/15	292,512
California Public Works Brd	AA2/AA-	Moody's/S&P		03/01/15	204,446
California Public Works Brd	AA2/AA-	Moody's/S&P		03/01/15	357,781
Janesville Wis Sch Dist	AA2/AA-	Moody's/S&P		03/01/15	144,907
Plover Wis - Build America Bonds	A/AA	Moody's/S&P		03/01/15	357,081
Sumter Cnty SC Reco. - Build America Bonds	AA2/A	Moody's/S&P		03/01/15	345,810
Travis Cnty Tex	AAA	Moody's/S&P		03/01/15	352,772
New York St Dorm Auth St Pers	AAA	S&P		03/15/15	126,377
Brunswick Cnty - Build America Bonds	AA3/AA	Moody's/S&P		04/01/15	98,940
Oregon St Dept Admin.	AA2/AAA	Moody's/S&P		04/01/15	249,972
New Richmond Wi Sc - Build America Bonds	AA-	S&P		04/01/15	195,932
Lanse Creuse Mich Pub Schs	AA+	S&P		05/01/15	253,098
Washoe Cnty Nv Sch Constr. Bd	AA2/AA	Moody's/S&P		05/01/15	250,585
Bergen Cnty N J Impt Auth	Aaa	Moody's		05/15/15	254,026
Montana St Brd Regents Higher	Aa3	Moody's		05/15/15	168,931
San Antonio Tex - Build America Bonds	AA1/AA	Moody's/S&P		05/15/15	242,142
Lane Cnty Ore - Sch construction bonds	A+	S&P		06/01/15	98,774
Ohio St Wtr - Build America Bonds	Aa1	Moody's		06/01/15	98,649
Beverly Hills Calif Pub Fing	AA2/AA+	Moody's/S&P		06/01/15	504,120
Maui Cnty Hawaii	AA1/AA+	Moody's/S&P		06/01/15	169,395
Univ. Colo Enterp - Build America Bonds	AA2/AA-	Moody's/S&P		06/01/15	337,257
Washoe Cnty Nev Sch Dist	AA2/AA	Moody's/S&P		06/01/15	194,060
Livingston Mont Sch - Build America Bonds	A+	S&P		06/15/15	117,053
Maricopa Cnty Az Sch - Build America Bonds	AA1/AA	Moody's/S&P		07/01/15	99,709
Oklahoma St Capitol Impt Auth	AA3/AA	Moody's/S&P		07/01/15	487,155
Purdue U Ind U - Build America Bonds	AAA/AA+	Moody's/S&P		07/01/15	147,541

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
State and Local Securities (Continued)					
Rabun Cnty Ga Dev Auth Rev	Aa3	Moody's		07/01/15	146,983
Washington Biomed - Build America Bonds	AA1/AA+	Moody's/S&P		07/01/15	344,967
Indiana BD BK Rev Taxable-Common	AA+	S&P		08/01/15	511,960
Alaska Mun Bd Bk	Aa2	Moody's		08/01/15	97,452
Indiana BD BK Rev	AA+	S&P		08/01/15	511,960
Lincoln Ctr Bldg Corp - Build America Bonds	A+	S&P		08/01/15	144,332
Round Rock TX ISD - Build America Bonds	Aaa	Moody's		08/01/15	244,622
South Dak Hlth & Ed - Build America Bonds	Aa2	Moody's		08/01/15	144,495
Boulder Colo	AA1/AA+	Moody's/S&P		10/01/15	161,979
Bergen Cnty N J Taxable	Aaa	Moody's		11/01/15	202,628
Davis Cnty Uta Bldg - Build America Bonds	AA-	S&P		11/01/15	235,394
Louisiana L Govt - Build America Bonds	AA3/A+	Moody's/S&P		11/01/15	193,256
Michigan St	AA2/AA-	Moody's/S&P		11/01/15	241,118
Mississippi St	AA2/AA	Moody's/S&P		11/01/15	338,867
Cincinnati Ohio Build America Bonds	AA1/AA+	Moody's/S&P		12/01/15	99,302
Skyway Wtr & Swr - Build America Bonds	AA-	S&P		12/01/15	99,448
Westminster Co Wst - Build America Bonds	AA	S&P		12/01/15	126,447
Cuyahoga Cnty Ohio Economic De	AA2/AA	Moody's/S&P		12/01/15	197,190
Honolulu Hi Cty/Cnty - Build America Bonds	Aa1	Moody's		12/01/15	98,527
Kitsap Cnty Wash Pub Util Dist	Aa3	Moody's		12/01/15	193,392
Menomonee Falls Wis	Aa2	Moody's		12/01/15	493,870
Middletown Ohio - Build America Bonds	Aa2	Moody's		12/01/15	116,791
Montana St Coal Severance Tax	AA3/AA	Moody's/S&P		12/01/15	336,447
New York St Dorm Auth Revs Non	AA2/AA	Moody's/S&P		12/01/15	342,454
Sacramento Cnty Calif	AA3/AA	Moody's/S&P		12/01/15	337,418
Snohomish Cnty Wash - Build America Bonds	AA2/AA	Moody's/S&P		12/01/15	452,943
Sonoma Cnty Calif Pension Obli	AA-	S&P		12/01/15	485,160
Tacoma Wash	AA3/AA	Moody's/S&P		12/01/15	145,177
Thurston Cnty Wash - Build America Bonds	Aa3	Moody's		12/01/15	342,093
De Kalb Cnty Ill - Build America Bonds	Aa1	Moody's		12/15/15	145,461
Peoria Cnty Ill - Build America Bonds	Aa2	Moody's		12/15/15	337,544
Total state and local securities			45.2%		\$ 24,609,271
Negotiable certificates of deposit					
Capmark Bank	N/A	N/A	<5%	01/14/11	\$ 50,031
Summit Community Bank	N/A	N/A	<5%	03/17/11	99,621
Commerce Bank Geneva Minn	N/A	N/A	<5%	03/28/11	95,674
Bank of China	N/A	N/A	<5%	03/29/11	94,589
Lubbock National Bank	N/A	N/A	<5%	03/31/11	98,629
Capital One Bank	N/A	N/A	<5%	04/04/11	98,643
State Bank of India	N/A	N/A	<5%	04/25/11	97,803
Medallion Bank	N/A	N/A	<5%	05/31/11	98,105
Beal Bank	N/A	N/A	<5%	07/06/11	93,976
Quad City Bank & Trust	N/A	N/A	<5%	07/20/11	50,431

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit (Continued)					
Bank of China	N/A	N/A	<5%	08/25/11	98,904
State Bank of India	N/A	N/A	<5%	08/31/11	98,967
State Bank of India	N/A	N/A	<5%	08/31/11	39,987
Wachovia Mortgage	N/A	N/A	<5%	09/12/11	99,142
Summit State Bank	N/A	N/A	<5%	10/24/11	100,156
Discover Bank	N/A	N/A	<5%	11/04/11	98,689
GE Money Bank	N/A	N/A	<5%	11/14/11	99,539
American Express Centurion Bank	N/A	N/A	<5%	11/18/11	94,658
Republic Bank Inc	N/A	N/A	<5%	01/13/12	100,710
Bank South	N/A	N/A	<5%	02/03/12	97,463
BMW Bank of North America	N/A	N/A	<5%	02/27/12	98,955
Lone Star National Bank	N/A	N/A	<5%	03/30/12	99,262
Bank of Northern Michigan	N/A	N/A	<5%	04/16/12	98,635
Firstbank Highland Park	N/A	N/A	<5%	04/23/12	98,709
Ally Bank	N/A	N/A	<5%	04/30/12	98,804
Sallie Mae Bank	N/A	N/A	<5%	05/29/12	101,475
Johnson Bank	N/A	N/A	<5%	06/25/12	104,768
GE Money Bank	N/A	N/A	<5%	07/09/12	100,005
GE Money Bank	N/A	N/A	<5%	08/27/12	49,000
Town Bank	N/A	N/A	<5%	08/27/12	99,617
Johnson Bank	N/A	N/A	<5%	09/04/12	143,403
Citi Bank	N/A	N/A	<5%	09/17/12	90,461
American Express Centurion Bank	N/A	N/A	<5%	10/01/12	99,666
Capital Bank	N/A	N/A	<5%	10/22/12	100,782
Bank of Baroda	N/A	N/A	<5%	11/05/12	196,365
BMW Bank	N/A	N/A	<5%	11/21/12	97,679
FNB of Chester County	N/A	N/A	<5%	12/10/12	198,646
Medallion Bank	N/A	N/A	<5%	12/17/12	100,287
Gulfstream Business Bank	N/A	N/A	<5%	01/10/13	99,911
GE Capital	N/A	N/A	<5%	09/11/13	100,783
Total negotiable certificates of deposit					\$ 3,982,930
Total investments					\$ 54,488,703
Deposits					24,393,255
Petty cash and change funds					11,755
Total Investments and Deposits					\$ 78,893,713

N/A - Not Applicable

<5% - Concentration is less than 5% of investments

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 1,233,185	\$ -
Special assessments	155,005	-
Due from other governments	4,724,772	-
Accounts	5,197,755	-
Accrued interest	284,435	-
Loans	252,483	57,000
Total Governmental Activities	\$ 11,847,635	\$ 57,000
 Business-Type Activities		
Accounts	\$ 3,462,080	\$ -

3. Capital Assets

Governmental Activities

Governmental capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Capital assets not depreciated					
Land	\$ 1,120,596	\$ -	\$ -	\$ 289,134	\$ 1,409,730
Construction in progress	23,697,361	8,096,597	-	(31,793,958)	-
Total capital assets not depreciated	\$ 24,817,957	\$ 8,096,597	\$ -	\$ (31,504,824)	\$ 1,409,730
Capital assets depreciated					
Buildings	\$ 33,281,914	\$ -	\$ -	\$ -	\$ 33,281,914
Machinery, furniture, and equipment	23,948,939	1,901,136	625,973	-	25,224,102
Infrastructure	149,165,373	7,446,958	-	31,504,824	188,117,155
Total capital assets depreciated	\$ 206,396,226	\$ 9,348,094	\$ 625,973	\$ 31,504,824	\$ 246,623,171

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Reclassification	Ending Balance
Less: accumulated depreciation for					
Buildings	\$ 10,166,197	\$ 789,162	\$ -	\$ -	\$ 10,955,359
Machinery, furniture, and equipment	12,136,595	1,790,062	547,473	-	13,379,184
Infrastructure	34,145,763	2,995,851	-	-	37,141,614
Total accumulated depreciation	\$ 56,448,555	\$ 5,575,075	\$ 547,473	\$ -	\$ 61,476,157
Total capital assets depreciated, net	\$ 149,947,671	\$ 3,773,019	\$ 78,500	\$ 31,504,824	\$ 185,147,014
Governmental Activities Capital Assets, Net	\$ 174,765,628	\$ 11,869,616	\$ 78,500	\$ -	\$ 186,556,744

Business-Type Activities

Business-type capital asset activity for the Itasca County Nursing Home at September 30, 2010, and the Itasca Resource Center at December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 279,296	\$ -	\$ -	\$ 279,296
Construction in progress	83,440	3,511,347	-	3,594,787
Total capital assets not depreciated	\$ 362,736	\$ 3,511,347	\$ -	\$ 3,874,083
Capital assets depreciated				
Buildings	\$ 14,111,320	\$ 62,208	\$ -	\$ 14,173,528
Improvements other than buildings	282,103	6,706	-	288,809
Machinery, furniture, and equipment	1,683,537	50,491	-	1,734,028
Total capital assets depreciated	\$ 16,076,960	\$ 119,405	\$ -	\$ 16,196,365
Less: accumulated depreciation for				
Buildings	\$ 6,919,811	\$ 535,511	\$ -	\$ 7,455,322
Improvements other than buildings	138,999	15,294	-	154,293
Machinery, furniture, and equipment	1,178,214	117,464	-	1,295,678
Total accumulated depreciation	\$ 8,237,024	\$ 668,269	\$ -	\$ 8,905,293
Total capital assets depreciated, net	\$ 7,839,936	\$ (548,864)	\$ -	\$ 7,291,072
Business-Type Activities Capital Assets, Net	\$ 8,202,672	\$ 2,962,483	\$ -	\$ 11,165,155

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 147,125
Public safety	972,308
Highways and streets, including depreciation of infrastructure assets	4,192,206
Human services	65,112
Sanitation	105,388
Culture and recreation	41,539
Conservation of natural resources	51,397
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 5,575,075
	<hr/>
Business-Type Activities	
Nursing Home	\$ 401,845
Itasca Resource Center	266,424
	<hr/>
Total Depreciation Expense - Business-Type Activities	\$ 668,269
	<hr/>

4. Minimum Future Rents Receivable - Itasca Resource Center Enterprise Fund

On February 1, 1997, Itasca County entered into a 15-year lease agreement with Independent School District No. 318 to occupy 6,353 square feet of space. The rental rate is currently \$7.15 per square foot.

On February 1, 1997, Itasca County entered into a 15-year lease with Itasca County Health and Human Services. On July 1, 2008, the lease was amended, and the Human Services Department currently occupies 24,159 square feet at a rental rate of \$7.15 per square foot.

On March 1, 1997, Itasca County entered into a 15-year lease agreement with KOOTASCA Community Action, Inc., to occupy space in the Itasca County Resource Center. The lease was amended in July 2008, and KOOTASCA currently occupies 9,336 square feet at a rental rate of \$7.15 per square foot.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

A. Assets

4. Minimum Future Rents Receivable - Itasca Resource Center Enterprise Fund
(Continued)

On March 1, 2007, Itasca County entered into a 5-year lease agreement with the State of Minnesota. The lease was amended in August 2008, and the State of Minnesota currently occupies 3,496 square feet at a rental rate of \$12.75 per square foot.

Minimum future rents on non-cancelable leases are:

Year Ending December 31		
2011		\$ 329,487
2012		36,734
Total		\$ 366,221

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Health and Human Services	\$ 142,948	Reimbursement for services
	Forfeited Tax	628,820	Apportionment of net proceeds
	Other governmental funds	3,922	Recording fees
Total due to General Fund		\$ 775,690	
Road and Bridge	Other governmental funds	\$ 531,734	Road maintenance charges
Health and Human Services	General	\$ 4,167	Reimbursement for services
	Itasca Resource Center		
	Enterprise Fund	18,050	Reimbursements
Total due to Human Services		\$ 22,217	

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other governmental funds	Forfeited Tax General	\$ 2,014,274 10	Apportionment of net proceeds Office supplies
Total due to Other Governmental Funds		<u>\$ 2,014,284</u>	
Total Due To/From Other Funds		<u>\$ 3,343,925</u>	

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfers to General Fund from Forfeited Tax Fund	<u>\$ 628,820</u>	Distribute net proceeds
Transfers to Health and Human Services Fund from Other governmental funds	<u>\$ 4,586</u>	Provide funding and transfer interest
Transfers to Capital Projects Fund from Environmental Trust Permanent Fund	<u>\$ 196,018</u>	Provide funding for landfill closure
Transfers to other governmental funds from General Fund	\$ 1,566,543	Provide funding for severance pay and weed control
Road and Bridge Fund	50,000	Provide funding for severance pay
Forfeited Tax Fund	805,221	Distribute net proceeds
Environmental Trust Permanent Fund	66,850	Transfer funding for solid waste recycling and landfill closure
Other nonmajor governmental funds	<u>69,642</u>	Provide funding for severance pay
Total transfers to other governmental funds	<u>\$ 2,558,256</u>	
Total Interfund Transfers	<u>\$ 3,387,680</u>	

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 2,567,485	\$ 914,188
Salaries	1,718,298	377,308
Accrued vacation payable	-	177,713
Escheat property	9,142	-
Contracts	262,135	-
Due to other governments	3,492,826	6,014
Claims and judgments	-	4,411,147
	\$ 8,049,886	\$ 5,886,370

2. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
2002 G.O. Capital Improvement Bonds	2017	\$220,000 - \$835,000	2.50 - 4.80	\$ 8,300,000	\$ 4,990,000
2007 G.O. Capital Improvement Bonds	2023	\$345,000 - \$890,000	4.00	10,000,000	2,285,000
2008 G.O. Capital Improvement Bonds	2023	\$100,000 - \$535,000	3.00 - 4.15	6,000,000	5,565,000
Total general obligation bonds				\$ 24,300,000	\$ 12,840,000
Less: unamortized discount					(45,469)
Total general obligation bonds, net					\$ 12,794,531
Capital leases					
2008 equipment lease	2013	\$49,208	3.17	1,003,802	523,449
Totals				\$ 25,303,802	\$ 13,317,980

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance September 30, 2010
Bonds					
2003 Gross Revenue Nursing Home Bonds	2033	\$70,000 - \$305,000	2.50 - 6.25	\$ 4,435,000	\$ 3,970,000
2009A Taxable G.O. Nursing Home Bonds (Build America Bonds)	2031	\$160,000 - \$375,000	2.35 - 5.75	4,605,000	4,605,000
2009B Taxable G.O. Nursing Home Bonds (Recovery Zone Economic Development Bonds)	2035	\$340,000 - \$405,000	6.00	1,490,000	1,490,000
2009C G.O. Refunding Bonds	2012	\$195,000 - \$210,000	6.00	615,000	420,000
Total bonds				<u>\$ 11,145,000</u>	\$ 10,485,000
Less: unamortized discount					(12,585)
Add: unamortized premium					5,680
Total Bonds, net					<u>\$ 10,478,095</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 950,000	\$ 502,044	\$ 202,969	\$ 14,877
2012	990,000	465,806	209,455	8,392
2013	1,035,000	427,145	111,025	1,699
2014	1,085,000	385,050	-	-
2015	1,135,000	338,996	-	-
2016 - 2020	3,815,000	1,071,006	-	-
2021 - 2023	3,830,000	248,302	-	-
Total	<u>\$ 12,840,000</u>	<u>\$ 3,438,349</u>	<u>\$ 523,449</u>	<u>\$ 24,968</u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending September 30	General Obligation Refunding Bonds		Gross Revenue Nursing Home Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 210,000	\$ 6,300	\$ 90,000	\$ 233,782
2012	210,000	2,100	95,000	229,386
2013	-	-	95,000	224,708
2014	-	-	100,000	219,783
2015	-	-	110,000	214,372
2016 - 2020	-	-	635,000	973,917
2021 - 2025	-	-	850,000	755,325
2026 - 2030	-	-	1,135,000	453,300
2031 - 2033	-	-	860,000	82,813
Total	\$ 420,000	\$ 8,400	\$ 3,970,000	\$ 3,387,386

Year Ending September 30	Taxable General Obligation Nursing Home Bonds	
	Principal	Interest
2011	\$ -	\$ 316,117
2012	-	316,118
2013	160,000	314,238
2014	165,000	309,924
2015	170,000	304,770
2016 - 2020	950,000	1,416,906
2021 - 2025	1,205,000	1,164,675
2026 - 2030	1,580,000	790,123
2031 - 2035	1,865,000	285,581
Total	\$ 6,095,000	\$ 5,218,452

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 13,750,000	\$ -	\$ 910,000	\$ 12,840,000	\$ 950,000
Less: unamortized discounts	(49,237)	-	(3,768)	(45,469)	-
Capital leases	720,134	-	196,685	523,449	202,969
Compensated absences	6,582,540	-	255,999	6,326,541	46,820
Claims and judgments	837,012	-	158,604	678,408	-
Net other postemployment benefits	4,003,696	2,042,070	-	6,045,766	-
Governmental Activities Long-Term Liabilities	<u>\$ 25,844,145</u>	<u>\$ 2,042,070</u>	<u>\$ 1,517,520</u>	<u>\$ 26,368,695</u>	<u>\$ 1,199,789</u>

Long-term liabilities for internal service funds are included as part of the above totals. For the Internal Service Fund, \$678,408 of claims and judgments payable are included in the amounts for the governmental activities at year-end.

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 610,000	\$ 615,000	\$ 805,000	\$ 420,000	\$ 210,000
Gross revenue bonds	4,055,000	-	85,000	3,970,000	90,000
Taxable general obligation Nursing home bonds	-	6,095,000	-	6,095,000	-
Less: deferred amounts for issuance discounts	(419)	(13,247)	(1,081)	(12,585)	-
Add: deferred amounts for issuance premiums	-	8,520	2,840	5,680	-
Business-Type Activities Long-Term Liabilities	<u>\$ 4,664,581</u>	<u>\$ 6,705,273</u>	<u>\$ 891,759</u>	<u>\$ 10,478,095</u>	<u>\$ 300,000</u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Prior Year Defeasance of Debt

In 2009, Itasca County partially defeased \$7,370,000 of its \$10,000,000 General Obligation Improvement Bonds, Series 2007. The bonds which were defeased were the February 1, 2010, through February 1, 2020, maturities and a portion of the February 1, 2021, maturity. Proceeds from the sale of radio equipment were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the old bonds until they are callable on February 1, 2015. The defeasance met the requirements of an in-substance debt defeasance and, accordingly, the trust account assets and the liability for the defeased bonds are not reported in Itasca County's government wide financial statements. As of December 31, 2010, the amount of defeased debt outstanding but removed from Itasca County's financial statements was \$ 6,845,000.

6. Conduit Debt

In 2010, the County issued \$6,155,000 of Industrial Development Revenue Bonds to refinance the Charles K. Blandin Foundation revenue bonds, Series 2004A, originally issued by the County on behalf of the Blandin Foundation, a Minnesota nonprofit corporation, to be used to assist the Grand Itasca Clinic and Hospital in the construction of a new hospital and clinic deemed to be in the public interest. The bonds are payable solely from revenues of the Foundation. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds will not be reported as liabilities in the County's financial statements. The amount of notes outstanding at December 31, 2010, was \$6,155,000.

In 2006, the County issued \$1,250,000 of industrial development revenue notes to provide financial assistance to North Homes, Inc., a Minnesota nonprofit corporation, to be used to construct a 16-bed group home for youth with mental disabilities and to refinance and renovate a transitional home for boys, which homes are deemed to be in the public interest. The notes are payable solely from the revenues of the nonprofit corporation. The County is not obligated in any manner for repayment of the notes. Accordingly, the notes will not be reported as liabilities in the County's financial statements. The amount of notes outstanding at December 31, 2010, was \$999,540.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities

6. Conduit Debt (Continued)

In 2008, the County issued \$1,250,000 of revenue notes to provide financial assistance to North Homes, Inc., a Minnesota nonprofit corporation, to be used to acquire 8,200 square feet of the Itaskin Juvenile Center. The notes are payable solely from the revenues of the nonprofit corporation. The County is not obligated in any manner for repayment of the notes. Accordingly, the notes will not be reported as liabilities in the County's financial statements. The amount of notes outstanding at December 31, 2010, was \$1,025,236.

7. Itasca Medical Care (IMCare) Liabilities

Claims Payable

Claims payable represent the estimated ultimate net cost of all reported and unreported claims incurred prior to and unpaid at the end of the year. The liability for unpaid claims is estimated primarily by the use of cost per contract data and completion factors developed from historical lag patterns. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for claims payable is adequate. The estimates are reviewed and adjusted as experience develops or new information becomes known, and such adjustments are included in current operations. Activity in the liability for unpaid claims and claim adjustment expense for IMCare is summarized as follows:

	2010	2009
Balance - Beginning of Year	\$ 5,085,353	\$ 4,128,553
Amount incurred, related to		
Prior years	(362,345)	(793,625)
Current year	40,872,975	39,442,435
Amount paid, related to		
Prior years	(4,723,769)	(3,337,624)
Current year	(36,461,067)	(34,354,386)
Balance - End of Year	\$ 4,411,147	\$ 5,085,353

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Detailed Notes on All Funds

C. Liabilities

7. Itasca Medical Care (IMCare) Liabilities (Continued)

Stop-Loss Insurance

IMCare is self-insured and does not contract with an outside insurance company for stop-loss insurance. Itasca County has guaranteed the solvency of IMCare.

Provider Settlement

IMCare contracts with providers in Itasca County to provide health care services to its enrolled members. Under these arrangements, the providers receive an interim claim payment based upon fee for services schedules. These providers are at risk to the degree specified in their contracts and the net effect of all other revenues and expenses. The final settlement occurs when all claims are considered settled. Also included in provider settlements is an estimate for the settlements related to Medicare Part D.

5. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Itasca County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2010	2009	2008
General Employees Retirement Fund	\$ 1,462,406	\$ 1,358,161	\$ 1,320,573
Public Employees Police and Fire Fund	446,246	469,354	440,194
Public Employees Correctional Fund	61,373	54,715	45,948

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Five of the eligible elected officials of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

5. Pension Plans

B. Defined Contribution Plan (Continued)

elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Itasca County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 11,335	\$ 11,335
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

6. Postemployment Benefits

A. Plan Description and Funding Policy

Itasca County provides postemployment health insurance benefits for certain eligible retired employees and their spouses under a single-employer defined benefit plan. The authority to provide these benefits is established in Minn. Stat. § 471.61, subd. 2a. A separate report is not issued for the plan.

Road and Bridge and Courthouse employees who were hired prior to January 1, 2000, and meet the eligibility requirements established by PERA are eligible for employer-paid health insurance benefits. Itasca County will pay for 100 percent of the health insurance premiums of the employee and 50 percent of the health insurance premiums for the spouse for life. For Road and Bridge and Courthouse employees hired after January 1, 2000, the maximum County share for health insurance premiums is capped at \$20,000.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

6. Postemployment Benefits

A. Plan Description and Funding Policy (Continued)

Health and Human Services and Attorney's employees hired prior to January 1, 1994, and Sheriff's Department employees hired prior to January 1, 1998, who meet the eligibility requirements established by PERA are eligible for employer-paid health insurance benefits. Itasca County will pay for 100 percent of the health insurance premiums of the employee and 50 percent of the health insurance premiums for the spouse for life. For Health and Human Services and Attorney's employees hired after January 1, 1994, and Sheriff's Department employees hired after January 1, 1998, the maximum County share for health insurance premiums is capped at \$10,000. Attorney's employees must have 10 years of County service to be eligible. After January 1, 2000, Sheriff's Department employees must also have 15 years of County service to be eligible.

Itasca County supervisory and confidential employees hired prior to December 22, 1995, who meet the eligibility requirements established by PERA and have ten years of service to Itasca County are eligible for employer-paid health insurance benefits. Itasca County will pay for 100 percent of the health insurance premiums of the employee and 50 percent of the health insurance premiums for the spouse for life. For supervisory and confidential employees hired after December 22, 1995, the maximum County share for health insurance premiums is capped at \$10,000.

Itasca Nursing Home employees who were hired before July 1, 1994, are continuously employed until retirement, have at least 15 years of service with the Nursing Home, have participated in the health care insurance program for 15 years prior to retirement, and have met the eligibility requirements of PERA, are eligible to receive hospital/medical benefits for the life of the retiree or surviving spouse. The Itasca Nursing Home will pay 100 percent of the retiree's premium and 50 percent of the spouse's premium for these employees. For retirements after July 1, 1994, the retiree is responsible for 50 percent of the retiree's premium upon becoming eligible for Medicare and is solely responsible for the spouse's premium. Pre-Medicare retirees are responsible for 100 percent of the premium.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

6. Postemployment Benefits

A. Plan Description and Funding Policy (Continued)

Employees who retire under contract provisions which limit the amount of benefit to a \$10,000 or \$20,000 cap or employees who do not qualify for the aforementioned benefits will be eligible to continue coverage with respect to both themselves and their eligible dependents under the County's health benefits program. These retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, these retirees are receiving an implicit rate subsidy.

As of December 31, 2010, there were 208 retirees receiving health benefits from the County's health plan and 403 active employees covered under the plan. The cost of other postemployment benefits is funded on a "pay-as-you-go" method.

B. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

	Itasca County December 31, 2010	Itasca Nursing Home September 30, 2010
ARC	\$ 4,164,356	\$ 58,586
Interest on net OPEB obligation	200,185	(3,012)
Adjustment to ARC	(173,958)	2,617
	<hr/>	<hr/>
Annual OPEB cost	\$ 4,190,583	\$ 58,191
Contributions during the year	(2,148,513)	(93,921)
	<hr/>	<hr/>
Increase (decrease) in net OPEB obligation/excess OPEB contributions	\$ 2,042,070	\$ (35,730)
Net OPEB Liability/Excess Contributions - Beginning of Year	4,003,696	(60,244)
	<hr/>	<hr/>
Net OPEB Liability/Excess Contributions - End of Year	\$ 6,045,766	\$ (95,974)
	<hr/>	<hr/>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

6. Postemployment Benefits

B. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation/excess contributions for 2010, 2009, and 2008 were as follows:

	Itasca County December 31, 2010	Itasca Nursing Home September 30, 2010
Percentage of annual OPEB cost contributed	51.3%	161.4%
Annual OPEB cost	\$ 4,190,583	\$ 58,191
Contributions during the year	<u>(2,148,513)</u>	<u>(93,921)</u>
Net OPEB Liability/Excess Contributions	<u>\$ 2,042,070</u>	<u>\$ (35,730)</u>

	Itasca County December 31, 2009	Itasca Nursing Home September 30, 2009
Percentage of annual OPEB cost contributed	51.3%	159.1%
Annual OPEB cost	\$ 4,060,915	\$ 56,880
Contributions during the year	<u>(2,081,890)</u>	<u>(90,483)</u>
Net OPEB Liability/Excess Contributions	<u>\$ 1,979,025</u>	<u>\$ (33,603)</u>

	Itasca County December 31, 2008	Itasca Nursing Home September 30, 2008
Percentage of annual OPEB cost contributed	48.5%	148.1%
Annual OPEB cost	\$ 3,929,760	\$ 55,393
Contributions during the year	<u>(1,905,089)</u>	<u>(82,034)</u>
Net OPEB Liability/Excess Contributions	<u>\$ 2,024,671</u>	<u>\$ (26,641)</u>

C. Funded Status and Funding Progress

The actuarial accrued liability for benefits for Itasca County at December 31, 2010, is \$73,176,183. The County currently has no assets that have been irrevocably deposited in a trust for future health benefits; thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$21,219,387. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 344.9 percent.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

6. Postemployment Benefits

C. Funded Status and Funding Progress (Continued)

The actuarial accrued liability for benefits for the Itasca Nursing Home at September 30, 2008, the most recent actuarial valuation date, is \$1,138,640. The Nursing Home currently has no assets that have been irrevocably deposited in a trust for future health benefits; thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$3,868,671. The ratio of UAAL to covered payroll is 29.43 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the December 31, 2010, and September 30, 2008, actuarial valuations, the entry age normal level percentage of pay actuarial cost method was used. The actuarial assumptions included a five percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County and the Nursing Home. For Itasca County, the annual health care cost trend rate is nine percent initially, reduced incrementally to an ultimate rate of five percent after eight years. For the Nursing Home, the annual health care cost trend rate is ten percent initially, reduced incrementally to an ultimate rate of five percent after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of pay, open period, over 30 years.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of the MCIT Property and Casualty Division. The County self-insures for workers' compensation through its Risk Management Internal Service Fund. For group health insurance, the County belongs to Arrowhead Procure. For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The County's Risk Management Internal Service Fund is used to manage the workers' compensation claims which are self-insured by the County. Premiums are paid into the Risk Management Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has not had an actuarial study to determine a claims liability for workers' compensation, but the claims administrator, a private company, has estimated a liability of \$678,408, which does not include incurred but not reported claims, at December 31, 2010. This amount is shown as a liability in the Risk Management Internal Service Fund. The County is a member of the Workers' Compensation Reinsurance Association. Under the plan, the County is liable for the first \$450,000 toward any claim arising from a single occurrence. The Association covers claims over \$450,000.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2010	2009
Unpaid Claims, Beginning of Fiscal Year	\$ 837,012	\$ 811,093
Incurred claims	(31,261)	286,022
Claims payments	(127,343)	(260,103)
Unpaid Claims, End of Fiscal Year	\$ 678,408	\$ 837,012

The County belongs to Arrowhead Procure, a joint powers entity, which sponsors a self insurance plan to provide group employee health benefits to its participating members. Blue Cross/Blue Shield administers the claims and receive a fee for this service. All members pool premiums and losses. Group members choose from the available plans, and premiums are based on a composite rate for the group as a whole. The excess of insurance premiums over claims paid is deposited into a self -insurance reserve fund. Itasca County holds the self-insurance reserves in a fiduciary capacity, and they are reported in an agency fund.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items (Continued)

C. Steel Mill Project

Itasca County has entered into a reimbursement agreement between Itasca County, the State of Minnesota, and Essar Global Limited. Essar Global is the parent company of Minnesota Steel Industries that is developing a steelmaking facility in Itasca County. The State of Minnesota has provided funding to Itasca County for construction of certain public infrastructure improvements related to the steel mill project. If the project is not fully and completely constructed and placed into operation, the State of Minnesota may require Itasca County to return all or a portion of these grant funds. Under the terms of the reimbursement agreement, Essar Global and Minnesota Steel will reimburse Itasca County for any and all costs it directly incurs relating to the construction of the public infrastructure, up to a maximum amount of \$65,900,000, if the project is not completely constructed and operated by October 1, 2015.

It has been determined that the use of the grant funds constitutes a business subsidy under Minn. Stat. §§ 116J.993 to 116J.995 because the public infrastructure will principally benefit a single business at the time the improvements are made. As required by these statutes, Itasca County has also entered into a business subsidy agreement with Essar Global and Minnesota Steel. The agreement requires Minnesota Steel to meet certain job and wage goals and to remain operational for at least five years. If these job, wage, and operational goals are not met, Minnesota Steel is responsible for repayment of a pro-rated share of the grant funds subsidized.

D. Joint Ventures

Itasca County-Grand Rapids Airport Commission

The County entered into a joint powers agreement with the City of Grand Rapids for the purpose of acquisition of the necessary lands and for the joint construction and operation of an airport.

The Itasca County-Grand Rapids Airport Commission is governed by a six-member board, composed of three members appointed by each government. If the agreement is terminated, each government has a 50 percent ownership of assets of the airport.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Itasca County-Grand Rapids Airport Commission (Continued)

A summary of the financial information of the Itasca County-Grand Rapids Airport Commission's government-wide statements for the year ended December 31, 2010, was:

Total Assets	\$ 6,422,997
Total Liabilities	217,881
Total Net Assets	6,205,116
Total Revenues	274,606
Total Expenses	580,222
Change in Net Assets	(305,616)

Itasca County contributed \$25,000 during 2010 to the Itasca County-Grand Rapids Airport Commission.

Separate financial information can be obtained from:

Airport Manager
420 North Pokegama Avenue
Grand Rapids, Minnesota 55744

Aitkin-Itasca-Koochiching Community Health Services Board

Aitkin, Itasca, and Koochiching Counties entered into a joint powers agreement, creating and operating the Aitkin-Itasca-Koochiching Community Health Services (CHS) Board effective January 1, 1977. This agreement is entered into under the authority of the Community Health Services Act of 1976, and is pursuant to the provisions of Minn. Stat. § 471.59, for the development and maintenance of an integrated system of community health services.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Aitkin-Itasca-Koochiching Community Health Services Board (Continued)

The CHS Board is composed of two members from Aitkin and Koochiching Counties and three members from Itasca County, each appointed by the participating counties. Funding is obtained through federal, state, local, and private sources. Itasca County receives all funds and appropriates to each county its share through its agency fund. Itasca County records its revenues and expenditures in the Health and Human Services Special Revenue Fund.

A summary of the financial information of the Aitkin-Itasca-Koochiching Community Health Services Board's government-wide statements for the year ended December 31, 2009 (the most recent available), was:

Total Assets	\$	506,333
Total Liabilities		353,595
Total Net Assets		152,738
Total Revenues		1,378,578
Total Expenses		1,227,247
Change in Net Assets		151,331

Separate financial information can be obtained from:

Community Health Board Administrator
1209 S.E. 2nd Avenue
Grand Rapids, Minnesota 55744

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish "service delivery areas" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such a service delivery area, and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for such service delivery area. Itasca County is not a funding mechanism for this organization.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

The governing body is composed of seven members, one member from the Board of Commissioners of each of the participating counties.

A summary of the financial information of the Northeast Minnesota Office of Job Training's government-wide statements for June 30, 2010, was:

Total Assets	\$	3,505,892
Total Liabilities		2,139,107
Total Net Assets		1,366,785
Total Revenues		7,896,886
Total Expenses		7,918,774
Change in Net Assets		(21,888)

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North Ninth Street
P.O. Box 1028
Virginia, Minnesota 55792

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member board, composed of a member appointed by each of the participating counties' Boards of Commissioners. Financing is obtained through user charges to the members. Cass County is the fiscal agent for MCIS.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

A summary of the financial information of MCIS' funds for the fiscal year ended December 31, 2008 (the most recent available), was:

Total Assets	\$	1,007,784
Total Liabilities		256,583
Total Net Assets		751,201
Total Revenues		2,534,122
Total Expenses		2,365,437
Change in Net Assets		168,685

Separate financial information can be obtained from:

Minnesota Counties Information Systems
413 Southeast 7th Avenue
Grand Rapids, Minnesota 55744

Mississippi Headwaters Board

Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties entered into a joint powers agreement, pursuant to the provisions of Minn. Stat. § 471.59, for the purpose of preparing, adopting, and implementing a comprehensive land use plan designed to protect and enhance the Mississippi River and related shoreland areas within the counties.

The Mississippi Headwaters Board consists of eight members, one member appointed from each participating county. Cass County maintains the accounting records of the Board. Funding is obtained through federal, state, local, and private sources. Itasca County provided \$1,500 to this organization during 2010.

Separate financial information can be obtained from:

Mississippi Headwaters Board
Cass County Courthouse
4th Street and Minnesota Avenue
Walker, Minnesota 56484

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Itasca County Family Service Collaborative

The Itasca County Family Service Collaborative was established pursuant to Minn. Stat. § 124D.23. The Collaborative includes Itasca County; KOOTASCA Community Action, Inc.; and Independent School Districts 316, 317, 318, and 319. The purpose of the Collaborative is to improve the lives of families and children through efforts focused on prevention and early intervention. The Collaborative seeks to empower parents and families to solve their own problems through support, information, skill building, and advocacy.

Control of the Collaborative is vested in a Board of Directors. The County has three members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. Itasca County provided \$11,000 in funding to the Collaborative during 2010. Itasca County is the fiscal agent for the Collaborative, which is accounted for as an agency fund. Collaborative agency fund assets and liabilities were \$183,895 as of December 31, 2010.

No separate financial statements are available.

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communicating System (ARMER) and to enhance and improve interoperable public safety communications.

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Regional Radio Board is vested in a Board of Directors composed of one county commissioner from each of the member counties and one city councilor from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the board.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northeast Minnesota Regional Radio Board (Continued)

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board, which is accounted for as an agency fund. Funding is provided by grants and contributions from participating members. Itasca County contributed no funding to this organization in 2010.

E. Jointly-Governed Organizations

Western Mesabi Mine Planning Board

The Western Mesabi Mine Planning Board is governed by an 18-member board, composed of one elected official and one resident appointed by each respective county board, city council, and township board that is a party to the agreement. During 2010, Itasca County paid \$350 for membership dues to the Western Mesabi Mine Planning Board.

KOOTASCA Community Action, Inc.

KOOTASCA Community Action, Inc., is governed by an 18-member board appointed equally from each county. As discussed in Note 4.A.4., KOOTASCA Community Action, Inc., rents space from Itasca County.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and is comprised of 25 member counties, including Itasca County. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Itasca County paid \$2,100 for membership dues in 2010.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items (Continued)

F. Related Organizations

Housing and Redevelopment Authority of Itasca County

The five-member governing body of the Housing and Redevelopment Authority of Itasca County is appointed by Itasca County. Itasca County is not financially responsible for the Authority.

G. Tax-Forfeited Land

The County manages approximately 300,000 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs, such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

8. Subsequent Events

A. Bond Issuance

On February 8, 2011, the Itasca County Board approved the issuance and sale of \$3,690,000 Taxable General Obligation Capital Improvement Plan Bonds, Series 2011 (Qualified Energy Conservation Bonds-Direct Payment). These bonds were issued for the purpose of financing the undertaking of various energy efficient improvements to certain county buildings, including the County Courthouse, the County Law Enforcement Center, the County Resource Center, the County Land Department, and the County Probation Department. The bonds will be repaid through tax levies and are within the limitations of Minn. Stat. ch. 475 and § 373.50.

On July 12, 2011, the Itasca County Board approved the issuance and sale of \$3,695,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2011B. These bonds were issued to refund the General Obligation Capital Improvement Bonds, Series 2002, dated May 1, 2002, in advance of maturity and at their redemption date. These bonds are to be repaid through tax levies.

REQUIRED SUPPLEMENTARY INFORMATION

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,018,735	\$ 10,018,735	\$ 9,795,553	\$ (223,182)
Licenses and permits	51,500	51,500	80,309	28,809
Intergovernmental	4,417,190	4,417,190	5,900,125	1,482,935
Charges for services	966,191	966,191	971,141	4,950
Fines and forfeits	90,288	90,288	61,387	(28,901)
Gifts and contributions	59,800	59,800	5,574	(54,226)
Investment earnings	1,400,000	1,400,000	397,825	(1,002,175)
Miscellaneous	960,801	960,801	1,078,230	117,429
Total Revenues	\$ 17,964,505	\$ 17,964,505	\$ 18,290,144	\$ 325,639
Expenditures				
Current				
General government				
Commissioners	\$ 367,142	\$ 367,142	\$ 356,094	\$ 11,048
Courts	200,855	200,855	190,934	9,921
Law library	59,025	59,025	50,411	8,614
County administration	575,840	575,840	528,538	47,302
County auditor/treasurer	1,107,304	1,107,304	1,095,804	11,500
County assessor	975,002	975,002	879,700	95,302
Elections	160,000	160,000	179,548	(19,548)
Accounting and auditing	75,000	75,000	98,339	(23,339)
Data processing	703,957	703,957	705,952	(1,995)
Attorney	1,243,761	1,243,761	1,335,575	(91,814)
Recorder	496,605	496,605	395,064	101,541
Surveyor	540,724	540,724	512,118	28,606
Planning and zoning	415,806	415,806	394,831	20,975
Buildings and plant	879,073	879,073	848,653	30,420
Veterans service officer	143,893	143,893	147,917	(4,024)
Other general government	-	-	2,525	(2,525)
Total general government	\$ 7,943,987	\$ 7,943,987	\$ 7,722,003	\$ 221,984

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,891,005	\$ 3,891,005	\$ 3,726,014	\$ 164,991
Boat and water safety	129,479	129,479	143,192	(13,713)
Emergency services	54,800	54,800	640,935	(586,135)
Coroner	50,000	50,000	69,827	(19,827)
Federal arrest grant	-	-	72,037	(72,037)
E-911 system	30,000	30,000	255,852	(225,852)
County jail	3,179,226	3,179,226	3,266,379	(87,153)
Victim assistance	76,900	76,900	45,499	31,401
Probation and parole	1,031,116	1,031,116	1,073,852	(42,736)
Civil defense	139,914	139,914	290,751	(150,837)
Safehavens grant	50,000	50,000	187,135	(137,135)
Transitional housing grant	110,000	110,000	57,920	52,080
Snowmobile safety	13,798	13,798	15,331	(1,533)
Other	53,000	53,000	216,662	(163,662)
Total public safety	\$ 8,809,238	\$ 8,809,238	\$ 10,061,386	\$ (1,252,148)
Sanitation				
Septic loans	\$ -	\$ -	\$ 19,238	\$ (19,238)
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Humane society	5,000	5,000	12,220	(7,220)
Snowmobile and ski trail maintenance	-	-	273,553	(273,553)
Total culture and recreation	\$ 20,000	\$ 20,000	\$ 300,773	\$ (280,773)
Conservation of natural resources				
County extension	\$ 134,306	\$ 134,306	\$ 131,776	\$ 2,530
Title III federal forest funds	-	-	12,084	(12,084)
Shoreland management	21,514	21,514	6,316	15,198
Other	-	-	25,542	(25,542)
Total conservation of natural resources	\$ 155,820	\$ 155,820	\$ 175,718	\$ (19,898)
Total Expenditures	\$ 16,929,045	\$ 16,929,045	\$ 18,279,118	\$ (1,350,073)

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 1,035,460</u>	<u>\$ 1,035,460</u>	<u>\$ 11,026</u>	<u>\$ (1,024,434)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 721,000	\$ 721,000	\$ 628,820	\$ (92,180)
Transfers out	<u>(2,169,093)</u>	<u>(2,169,093)</u>	<u>(1,566,543)</u>	<u>602,550</u>
Total Other Financing Sources (Uses)	<u>\$ (1,448,093)</u>	<u>\$ (1,448,093)</u>	<u>\$ (937,723)</u>	<u>\$ 510,370</u>
Net Change in Fund Balance	<u>\$ (412,633)</u>	<u>\$ (412,633)</u>	<u>\$ (926,697)</u>	<u>\$ (514,064)</u>
Fund Balance - January 1	12,181,511	12,181,511	12,181,511	-
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>997</u>	<u>997</u>
Fund Balance - December 31	<u><u>\$ 11,768,878</u></u>	<u><u>\$ 11,768,878</u></u>	<u><u>\$ 11,255,811</u></u>	<u><u>\$ (513,067)</u></u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,090,953	\$ 6,090,953	\$ 6,277,168	\$ 186,215
Intergovernmental	7,539,664	7,539,664	11,749,020	4,209,356
Charges for services	1,108,893	1,108,893	1,281,191	172,298
Miscellaneous	211,600	211,600	579,988	368,388
Total Revenues	\$ 14,951,110	\$ 14,951,110	\$ 19,887,367	\$ 4,936,257
Expenditures				
Current				
Highways and streets				
Administration	\$ 568,327	\$ 568,327	\$ 580,093	\$ (11,766)
Maintenance	6,564,182	6,564,182	6,924,290	(360,108)
Construction	4,020,884	4,020,884	7,378,026	(3,357,142)
Equipment maintenance and shop	3,747,717	3,747,717	3,538,202	209,515
Total highways and streets	\$ 14,901,110	\$ 14,901,110	\$ 18,420,611	\$ (3,519,501)
Debt service				
Principal	\$ -	\$ -	\$ 196,685	\$ (196,685)
Interest	-	-	21,161	(21,161)
Total debt service	\$ -	\$ -	\$ 217,846	\$ (217,846)
Total Expenditures	\$ 14,901,110	\$ 14,901,110	\$ 18,638,457	\$ (3,737,347)
Excess of Revenues Over (Under) Expenditures	\$ 50,000	\$ 50,000	\$ 1,248,910	\$ 1,198,910
Other Financing Sources (Uses)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 1,198,910	\$ 1,198,910
Fund Balance - January 1	8,555,154	8,555,154	8,555,154	-
Increase (decrease) in reserved for inventories	-	-	(40,335)	(40,335)
Fund Balance - December 31	\$ 8,555,154	\$ 8,555,154	\$ 9,713,729	\$ 1,158,575

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,545,184	\$ 9,545,184	\$ 8,148,027	\$ (1,397,157)
Intergovernmental	6,949,965	6,949,965	9,401,476	2,451,511
Charges for services	823,587	823,587	894,357	70,770
Miscellaneous	177,200	177,200	554,885	377,685
Total Revenues	<u>\$ 17,495,936</u>	<u>\$ 17,495,936</u>	<u>\$ 18,998,745</u>	<u>\$ 1,502,809</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,606,422	\$ 4,606,422	\$ 3,970,347	\$ 636,075
Social services	11,169,152	11,169,152	11,704,507	(535,355)
Total human services	<u>\$ 15,775,574</u>	<u>\$ 15,775,574</u>	<u>\$ 15,674,854</u>	<u>\$ 100,720</u>
Health				
Nursing service	\$ 1,718,508	\$ 1,718,508	\$ 1,676,734	\$ 41,774
Environmental health	6,654	6,654	7,167	(513)
Total health	<u>\$ 1,725,162</u>	<u>\$ 1,725,162</u>	<u>\$ 1,683,901</u>	<u>\$ 41,261</u>
Total Expenditures	<u>\$ 17,500,736</u>	<u>\$ 17,500,736</u>	<u>\$ 17,358,755</u>	<u>\$ 141,981</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (4,800)	\$ (4,800)	\$ 1,639,990	\$ 1,644,790
Other Financing Sources (Uses)				
Transfers in	4,800	4,800	4,586	(214)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,644,576	\$ 1,644,576
Fund Balance - January 1	<u>5,539,749</u>	<u>5,539,749</u>	<u>5,539,749</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 5,539,749</u></u>	<u><u>\$ 5,539,749</u></u>	<u><u>\$ 7,184,325</u></u>	<u><u>\$ 1,644,576</u></u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT A-4

**SCHEDULES OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2010**

Itasca County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31, 2007	\$ -	\$ 60,330,182	\$ 60,330,182	0.00%	\$ 21,138,584	285.40%
December 31, 2010	-	73,176,183	73,176,183	0.00	21,219,387	344.86

Itasca County Nursing Home

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
September 30, 2008	\$ -	\$ 1,138,640	\$ 1,138,640	0.00%	\$ 3,868,671	29.43%

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund; Debt Service Fund; and the Road and Bridge, Health and Human Services, Forest Resources, and Solid Waste Management Special Revenue Funds. Budgets are not adopted for the Unorganized Towns Road and Bridge, Health Education, Severance Pay, and Forfeited Tax Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The County carries reserves over from year to year. The County Board may designate a specific use for some of the fund balances.

In July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the County Auditor/Treasurer by December 28.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department or between departments and/or funds with County Auditor/Treasurer approval. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2010, expenditures exceeded appropriations in the following funds:

General Fund	\$ 1,350,073	Expenditures for ski and snowmobile trails and several large federal grants in public safety are not budgeted. These expenditures are offset by intergovernmental revenues.
Road and Bridge Special Revenue Fund	3,737,347	Higher than anticipated construction expenditures offset by higher intergovernmental revenues.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

3. Notes to the Schedule of Funding Progress - Other Postemployment Benefits

Itasca County and the Itasca Nursing Home currently have no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Itasca County implemented Governmental Accounting Standards Board Statement 45 in the fiscal year ended December 31, 2008, and Itasca Nursing Home implemented it in the fiscal year ended September 30, 2008. Information for prior years is not available.

A new actuarial study was done for Itasca County for the fiscal year ended December 31, 2010. The Unfunded Actuarial Accrued Liability increased due to a number of factors, including; changes in active and retiree populations, updates to per capita health costs and trend rates, changes to demographic assumptions, and compliance with applicable provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act.

SUPPLEMENTARY INFORMATION

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

The Forest Resources Special Revenue Fund is used to account for the operations of the County forests and payments from the state in lieu of taxes.

The Solid Waste Management Special Revenue Fund is used to account for the operations and maintenance of all solid waste transfer stations.

The Unorganized Towns Road and Bridge Special Revenue Fund is used to account for all funds to be used for construction and maintenance of highways and roads in unorganized townships.

The Health Education Special Revenue Fund is used to account for all funds used to enhance the health and cost-effectiveness of health care for the residents of Itasca County.

The Severance Pay Special Revenue Fund is used to account for severance pay activity not accounted for in other funds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest, and the related costs of general obligation bonds.

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Special Revenue (Exhibit B-3)	Debt Service	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and pooled investments	\$ 5,987,352	\$ 441,971	\$ 6,429,323
Petty cash and change funds	325	-	325
Undistributed cash in agency funds	110,562	61,766	172,328
Taxes receivable			
Prior	70,037	48,500	118,537
Special assessments receivable			
Prior	155,005	-	155,005
Accounts receivable	56,538	-	56,538
Due from other funds	2,014,284	-	2,014,284
Due from other governments	137,299	-	137,299
	\$ 8,531,402	\$ 552,237	\$ 9,083,639
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 44,637	\$ -	\$ 44,637
Salaries payable	84,830	-	84,830
Due to other funds	535,656	-	535,656
Deferred revenue - unavailable	225,042	48,500	273,542
	\$ 890,165	\$ 48,500	\$ 938,665
 Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 503,737	\$ 503,737
Designated for severance	50,315	-	50,315
Undesignated	7,590,922	-	7,590,922
	\$ 7,641,237	\$ 503,737	\$ 8,144,974
Total Fund Balances	\$ 7,641,237	\$ 503,737	\$ 8,144,974
 Total Liabilities and Fund Balances	\$ 8,531,402	\$ 552,237	\$ 9,083,639

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Special Revenue (Exhibit B-4)	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 1,633,963	\$ 1,208,133	\$ 2,842,096
Special assessments	960,930	-	960,930
Licenses and permits	500	-	500
Intergovernmental	607,364	168,163	775,527
Charges for services	574,482	-	574,482
Investment earnings	4,586	-	4,586
Miscellaneous	512,518	-	512,518
	\$ 4,294,343	\$ 1,376,296	\$ 5,670,639
Expenditures			
Current			
General government	\$ 660,184	\$ -	\$ 660,184
Public safety	657,949	-	657,949
Highways and streets	1,749,891	-	1,749,891
Sanitation	1,639,770	-	1,639,770
Culture and recreation	841,587	-	841,587
Conservation of natural resources	928,232	-	928,232
Debt service			
Principal	-	910,000	910,000
Interest	-	536,146	536,146
Administrative (fiscal) charges	-	1,288	1,288
	\$ 6,477,613	\$ 1,447,434	\$ 7,925,047
Excess of Revenues Over (Under) Expenditures	\$ (2,183,270)	\$ (71,138)	\$ (2,254,408)
Other Financing Sources (Uses)			
Transfers in	\$ 2,558,256	\$ -	\$ 2,558,256
Transfers out	(74,228)	-	(74,228)
	\$ 2,484,028	\$ -	\$ 2,484,028
Net Change in Fund Balance	\$ 300,758	\$ (71,138)	\$ 229,620
Fund Balance - January 1	7,340,479	574,875	7,915,354
Fund Balance - December 31	\$ 7,641,237	\$ 503,737	\$ 8,144,974

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010**

	<u>Forest Resources</u>	<u>Solid Waste Management</u>	<u>Unorganized Towns Road and Bridge</u>	<u>Health Education</u>	<u>Severance Pay</u>	<u>Total</u>
<u>Assets</u>						
Cash and pooled investments	\$ 1,010,105	\$ 309,755	\$ 3,755,022	\$ 912,470	\$ -	\$ 5,987,352
Petty cash and change funds	25	300	-	-	-	325
Undistributed cash in agency funds	-	32,794	77,768	-	-	110,562
Taxes receivable						
Prior	-	3,618	66,419	-	-	70,037
Special assessments receivable						
Prior	-	155,005	-	-	-	155,005
Accounts receivable	-	6,223	-	-	50,315	56,538
Due from other funds	1,882,787	10	131,487	-	-	2,014,284
Due from other governments	112,128	25,171	-	-	-	137,299
Total Assets	<u>\$ 3,005,045</u>	<u>\$ 532,876</u>	<u>\$ 4,030,696</u>	<u>\$ 912,470</u>	<u>\$ 50,315</u>	<u>\$ 8,531,402</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 14,151	\$ 30,486	\$ -	\$ -	\$ -	\$ 44,637
Salaries payable	73,441	11,389	-	-	-	84,830
Due to other funds	3,922	-	531,734	-	-	535,656
Deferred revenue - unavailable	-	158,623	66,419	-	-	225,042
Total Liabilities	<u>\$ 91,514</u>	<u>\$ 200,498</u>	<u>\$ 598,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,165</u>
Fund Balances						
Unreserved						
Designated for severance	\$ -	\$ -	\$ -	\$ -	\$ 50,315	\$ 50,315
Undesignated	2,913,531	332,378	3,432,543	912,470	-	7,590,922
Total Fund Balances	<u>\$ 2,913,531</u>	<u>\$ 332,378</u>	<u>\$ 3,432,543</u>	<u>\$ 912,470</u>	<u>\$ 50,315</u>	<u>\$ 7,641,237</u>
Total Liabilities and Fund Balances	<u>\$ 3,005,045</u>	<u>\$ 532,876</u>	<u>\$ 4,030,696</u>	<u>\$ 912,470</u>	<u>\$ 50,315</u>	<u>\$ 8,531,402</u>

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Forest Resources</u>	<u>Solid Waste Management</u>	<u>Unorganized Towns Road and Bridge</u>	<u>Health Education</u>	<u>Severance Pay</u>	<u>Total</u>
Revenues						
Taxes	\$ -	\$ 103,911	\$ 1,530,052	\$ -	\$ -	\$ 1,633,963
Special assessments	-	960,930	-	-	-	960,930
Licenses and permits	-	500	-	-	-	500
Intergovernmental	289,253	124,367	193,744	-	-	607,364
Charges for services	12,369	562,113	-	-	-	574,482
Investment earnings	-	-	-	4,586	-	4,586
Miscellaneous	87,214	10,458	-	-	414,846	512,518
Total Revenues	\$ 388,836	\$ 1,762,279	\$ 1,723,796	\$ 4,586	\$ 414,846	\$ 4,294,343
Expenditures						
Current						
General government	\$ -	\$ -	\$ -	\$ -	\$ 660,184	\$ 660,184
Public safety	-	-	-	-	657,949	657,949
Highways and streets	-	-	1,094,646	-	655,245	1,749,891
Sanitation	-	1,620,033	-	-	19,737	1,639,770
Culture and recreation	841,587	-	-	-	-	841,587
Conservation of natural resources	797,030	-	-	-	131,202	928,232
Total Expenditures	\$ 1,638,617	\$ 1,620,033	\$ 1,094,646	\$ -	\$ 2,124,317	\$ 6,477,613
Excess of Revenues Over (Under) Expenditures	\$ (1,249,781)	\$ 142,246	\$ 629,150	\$ 4,586	\$ (1,709,471)	\$ (2,183,270)
Other Financing Sources (Uses)						
Transfers in	\$ 684,734	\$ 66,850	\$ 131,487	\$ -	\$ 1,675,185	\$ 2,558,256
Transfers out	(69,642)	-	-	(4,586)	-	(74,228)
Total Other Financing Sources (Uses)	\$ 615,092	\$ 66,850	\$ 131,487	\$ (4,586)	\$ 1,675,185	\$ 2,484,028
Net Change in Fund Balance	\$ (634,689)	\$ 209,096	\$ 760,637	\$ -	\$ (34,286)	\$ 300,758
Fund Balance - January 1	3,548,220	123,282	2,671,906	912,470	84,601	7,340,479
Fund Balance - December 31	\$ 2,913,531	\$ 332,378	\$ 3,432,543	\$ 912,470	\$ 50,315	\$ 7,641,237

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
FOREST RESOURCES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 218,981	\$ 218,981	\$ 289,253	\$ 70,272
Charges for services	10,448	10,448	12,369	1,921
Miscellaneous	17,654	17,654	87,214	69,560
Total Revenues	\$ 247,083	\$ 247,083	\$ 388,836	\$ 141,753
Expenditures				
Current				
Culture and recreation				
Promotion	\$ 250,000	\$ 250,000	\$ 396,469	\$ (146,469)
Parks	425,992	425,992	445,118	(19,126)
Total culture and recreation	\$ 675,992	\$ 675,992	\$ 841,587	\$ (165,595)
Conservation of natural resources				
Other	1,983,141	1,983,141	797,030	1,186,111
Total Expenditures	\$ 2,659,133	\$ 2,659,133	\$ 1,638,617	\$ 1,020,516
Excess of Revenues Over (Under) Expenditures	\$ (2,412,050)	\$ (2,412,050)	\$ (1,249,781)	\$ 1,162,269
Other Financing Sources (Uses)				
Transfers in	\$ 2,412,050	\$ 2,412,050	\$ 684,734	\$ (1,727,316)
Transfers out	-	-	(69,642)	(69,642)
Total Other Financing Sources (Uses)	\$ 2,412,050	\$ 2,412,050	\$ 615,092	\$ (1,796,958)
Net Change in Fund Balance	\$ -	\$ -	\$ (634,689)	\$ (634,689)
Fund Balance - January 1	3,548,220	3,548,220	3,548,220	-
Fund Balance - December 31	\$ 3,548,220	\$ 3,548,220	\$ 2,913,531	\$ (634,689)

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 106,268	\$ 106,268	\$ 103,911	\$ (2,357)
Special assessments	922,091	922,091	960,930	38,839
Licenses and permits	400	400	500	100
Intergovernmental	119,176	119,176	124,367	5,191
Charges for services	503,393	503,393	562,113	58,720
Miscellaneous	8,693	8,693	10,458	1,765
Total Revenues	\$ 1,660,021	\$ 1,660,021	\$ 1,762,279	\$ 102,258
Expenditures				
Current				
Sanitation				
Solid waste	1,660,021	1,660,021	1,620,033	39,988
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 142,246	\$ 142,246
Other Financing Sources (Uses)				
Transfers in	-	-	66,850	66,850
Net Change in Fund Balance	\$ -	\$ -	\$ 209,096	\$ 209,096
Fund Balance - January 1	123,282	123,282	123,282	-
Fund Balance - December 31	\$ 123,282	\$ 123,282	\$ 332,378	\$ 209,096

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,428,675	\$ 1,428,675	\$ 1,208,133	\$ (220,542)
Intergovernmental	-	-	168,163	168,163
Total Revenues	\$ 1,428,675	\$ 1,428,675	\$ 1,376,296	\$ (52,379)
Expenditures				
Debt service				
Principal	\$ 910,000	\$ 910,000	\$ 910,000	\$ -
Interest	518,675	518,675	536,146	(17,471)
Administrative - fiscal charges	-	-	1,288	(1,288)
Total Expenditures	\$ 1,428,675	\$ 1,428,675	\$ 1,447,434	\$ (18,759)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (71,138)	\$ (71,138)
Fund Balance - January 1	574,875	574,875	574,875	-
Fund Balance - December 31	\$ 574,875	\$ 574,875	\$ 503,737	\$ (71,138)

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FIDUCIARY FUNDS

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

AGENCY FUNDS

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,797,246	\$ 69,022,887	\$ 69,049,826	\$ 1,770,307
<u>Liabilities</u>				
Taxes collected in advance	\$ 34,053	\$ 22,978	\$ 34,053	\$ 22,978
Due to other governments	1,763,193	68,999,909	69,015,773	1,747,329
Total Liabilities	\$ 1,797,246	\$ 69,022,887	\$ 69,049,826	\$ 1,770,307
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 301,623	\$ 7,386,354	\$ 7,515,927	\$ 172,050
<u>Liabilities</u>				
Due to other governments	\$ 301,623	\$ 7,386,354	\$ 7,515,927	\$ 172,050
<u>CITIES AND TOWNS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 15,884,665	\$ 15,883,936	\$ 729
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 15,884,665	\$ 15,883,936	\$ 729

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 16,288,592	\$ 16,288,592	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 16,288,592	\$ 16,288,592	\$ -
 <u>SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 14,438	\$ 1,711,584	\$ 1,715,779	\$ 10,243
<u>Liabilities</u>				
Due to other governments	\$ 14,438	\$ 1,711,584	\$ 1,715,779	\$ 10,243
 <u>ITASCA COUNTY FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 207,535	\$ 1,966	\$ 25,606	\$ 183,895
<u>Liabilities</u>				
Due to other governments	\$ 207,535	\$ 1,966	\$ 25,606	\$ 183,895

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY HEALTH SERVICES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 15,965	\$ 1,739,242	\$ 1,630,429	\$ 124,778
<u>Liabilities</u>				
Due to other governments	\$ 15,965	\$ 1,739,242	\$ 1,630,429	\$ 124,778
 <u>SOUTH CENTRAL ITASCA COUNTY PLANNING BOARD</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 18,080	\$ 8,070	\$ 26,150	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 18,080	\$ 8,070	\$ 26,150	\$ -
 <u>NORTHEAST MINNESOTA REGIONAL RADIO BOARD</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (130,821)	\$ 595,764	\$ 328,585	\$ 136,358
Due from other governments	130,821	-	130,821	-
Total Assets	\$ -	\$ 595,764	\$ 459,406	\$ 136,358
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 595,764	\$ 459,406	\$ 136,358

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
 <u>ARROWHEAD PROCARE RESERVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 16,807,267	\$ 13,952,003	\$ 2,855,264
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 16,807,267	\$ 13,952,003	\$ 2,855,264
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,224,066	\$ 129,446,391	\$ 126,416,833	\$ 5,253,624
Due from other governments	130,821	-	130,821	-
Total Assets	\$ 2,354,887	\$ 129,446,391	\$ 126,547,654	\$ 5,253,624
<u>Liabilities</u>				
Taxes collected in advance	\$ 34,053	\$ 22,978	\$ 34,053	\$ 22,978
Due to other governments	2,320,834	129,423,413	126,513,601	5,230,646
Total Liabilities	\$ 2,354,887	\$ 129,446,391	\$ 126,547,654	\$ 5,253,624

OTHER SCHEDULES

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Shared Revenue

State

Highway users tax	\$ 8,717,588
County program aid	1,066,845
PERA rate reimbursement	82,819
Disparity reduction aid	162,406
Police aid	426,332
Taconite credit	588,799
Mobile home taconite credit	1,865
E-911	129,415
Market value credit aid	1,094,847
Supplemental aid	1,644,759
Casino revenue aid	80,115

Total shared revenue **\$ 13,995,790**

Reimbursement for Services

Minnesota Department of Human Services	\$ 825,145
Minnesota Department of Health	85,706

Total reimbursement for services **\$ 910,851**

Payments

State

Payments in lieu of taxes	\$ 724,360
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Local

Local contributions	425,849
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Total payments **\$ 1,150,209**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 349,154
Public Safety	44,172
Water and Soil Resources	9,937
Health	141,637
Natural Resources	420,461
Human Services	2,881,928
Employment and Economic Development	13,812,485
Veterans Affairs	8,636
Office of Environmental Assistance	109,898

Total state **\$ 17,778,308**

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 1,223,222
Commerce	393,694
Interior	411,719
Justice	948,381
Transportation	1,308,412
Health and Human Services	3,714,929
Homeland Security	204,821
	<hr/>
Total federal	\$ 8,205,178
	<hr/>
Total state and federal grants	\$ 25,983,486
	<hr/>
Total Intergovernmental Revenue	\$ 42,040,336

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Direct			
Recovery Act of 2009: Capital Improvement and Maintenance - ARRA	10.687		\$ 300,000
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		228,028
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster			
State Administrative Matching Grants for SNAP	10.561		351,873
State Administrative Matching Grants for SNAP - ARRA	10.561		12,777
Passed Through Minnesota Department of Natural Resources			
Cooperative Forestry Assistance	10.664		54,767
Passed Through Minnesota Management and Budget			
Schools and Roads - Grants to States	10.665		<u>256,556</u>
Total U.S. Department of Agriculture			<u>\$ 1,204,001</u>
U.S. Department of Commerce			
Passed Through the Minnesota Department of Public Safety			
Public Safety Interoperable Communications Grant Program	11.555		<u>\$ 190,974</u>
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226		<u>\$ 411,719</u>
U.S. Department of Justice			
Direct			
Supervised Visitation, Safe Havens for Children	16.527		\$ 187,135
Drug Court Discretionary Grant Program	16.585		72,289
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		248,168
Public Safety Partnership and Community Policing Grants	16.710		372,068
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736		47,051
Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - ARRA	16.804		16,107
Passed Through the Minnesota Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories - ARRA	16.803		<u>113,243</u>
Total U.S. Department of Justice			<u>\$ 1,056,061</u>

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

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	031-607-026	\$ 1,341,235
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	D119-07-S-2 D119-07-5-5	<u>5,050</u>
Total U.S. Department of Transportation			\$ 1,346,285
U.S. Department of Health and Human Services			
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Public Health Emergency Preparedness Immunization Cluster Immunization Grants Immunization - ARRA Disease Control and Prevention - Investigation and Technical Assistance Maternal and Child Health Services Block Grant to the States	93.069 93.268 93.712 93.283 93.994		\$ 72,347 400 4,994 20,817 49,325
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families Temporary Assistance for Needy Families (TANF) Child Support Enforcement Cluster Child Support Enforcement Child Support Enforcement - ARRA Refugee and Entrant Assistance Child Care Mandatory and Matching Funds of the Child Care and Development Fund Foster Care Title IV-E Social Services Block Grant Title XX Chafee Foster Care Independence Program Children's Health Insurance Program Medical Assistance Program Community Mental Health Services Block Grant	93.556 93.558 93.563 93.563 93.566 93.596 93.658 93.667 93.674 93.767 93.778 93.958		16,143 624,901 979,640 65,732 379 27,206 68,452 322,801 16,527 518 1,247,232 79,425
Passed Through Minnesota Department of Health Temporary Assistance for Needy Families (TANF)	93.558		58,525
Passed Through Minnesota Secretary of State Voting Access for Individuals with Disabilities - Grants to States	93.617	B-51746	<u>10,800</u>
Total U.S. Department of Health and Human Services			\$ 3,666,164

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

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012		\$ 28,722
Passed Through Minnesota Department of Public Safety			
Interoperable Emergency Communications	97.055		2,425
Emergency Management Performance Grant	97.042		32,857
Homeland Security Grant Program	97.067		<u>140,817</u>
Total U.S. Department of Homeland Security			\$ 204,821
Total Federal Awards			<u>\$ 8,080,025</u>

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. 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 assets, 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.

**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	8,205,178
Grants received more than 60 days after year-end deferred in 2010		
Supervised Visitation, Safe Havens for Children		36,390
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		54,590
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		16,700
Highway Planning and Construction		67,062
Temporary Assistance for Needy Families (TANF)		10,695
Deferred in 2009, recognized as revenue in 2010		
Special Supplemental Nutrition Program for Women, Infants, and Children		(19,221)
Public Safety Interoperable Communications Grant Program		(202,720)
Recreational Trails Program		(29,189)
Temporary Assistance for Needy Families (TANF)		(27,060)
Child Support Enforcement		(32,400)
		(32,400)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	8,080,025

5. 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	\$ 187,135
16.590	Grants to Encourage Arrest Policies	92,847
16.736	Transitional Housing Assistance	47,051
		47,051
Total		\$ 327,033

6. 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.

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**ITASCA COUNTY
GRAND RAPIDS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Itasca County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Itasca County and are reported in the "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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Itasca County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Itasca County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported by Section 510(a) of Office of Management and Budget (OMB) Circular A-133.
- G. The major programs are:

Recovery Act of 2009: Capital Improvement and Maintenance - ARRA	CFDA #10.687
Payments in Lieu of Taxes	CFDA #15.226
Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories - ARRA	CFDA #16.803
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Recreational Trails Program	CFDA #20.219

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Itasca County was not determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-5 Segregation of Duties

To provide for adequate internal control, the following duties should be segregated if possible:

Individuals who collect and receipt cash should not also:

- post cash receipts to the general ledger system,
- process cash disbursements,
- maintain the general ledger,
- make bank deposits,
- reconcile the bank accounts,
- make wire transfers,
- make general journal entries, or
- prepare billings.

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.

We recommend the County segregate these functions as much as possible. If it is not possible to segregate these duties, Itasca County management should be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being performed by staff.

Client's Response:

I am aware of the concerns relating to segregation of the cash receipt function in departments and have addressed these to the extent possible at this time. The treasurer's department has taken steps to segregate the cash collection function and the posting function with the use of a scanning machine and electronic postings.

06-2 Internal Control Over Budgeting

The County Board has adopted a budget policy. A formal written budget policy should include policies such as:

- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval, and
- the budgetary basis on which the budget is adopted.

Itasca County's budget policy does not indicate which funds are required to be budgeted, the budgetary basis, or the legal level of control.

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:

Our budget policy will be reviewed and amendments proposed to the Board of Commissioners. These amendments will include the above recommendations.

06-3 Preparation of Financial Statements

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP.

We recommend the County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If the County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

It is not cost effective to prepare the financial statements internally at this point.

06-4 Audit Adjustments

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. Statement on Auditing Standards 115 defines 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we proposed 18 adjustments that were material to the County's financial statements. The County provides cash basis financial statements and prepares some of the modified accrual information necessary to adjust the cash basis financial statements to the modified accrual basis. However, County staff do not have the time nor the governmental accounting expertise to prepare all of the information necessary to provide accurate financial statements. Therefore, audit adjustments were necessary to record additional receivables and payables found during the audit, adjust fund balance reserves and designations, adjust state-aid highway allotments, allocate unallocated expenditures, record the forfeited tax apportionment, adjust for prior year book entries not made, record deferred revenues from road and bridge turnback funds, eliminate capital assets incorrectly recorded in governmental funds, and make reclassification entries as necessary. Audit adjustments were also necessary to adjust modified accrual financial statements to the accrual basis for the government-wide financial statements.

We recommend that County staff review the trial balances and journal entries in detail to ensure they have an understanding of all of the audit adjustments made, so that in future audits, this information can be prepared by the County.

Client's Response:

The County expects a certain number of audit adjustments throughout the audit process. Accruals and other standard adjustments should be made prior to beginning of the audit. We will work to eliminate as many audit adjustments next year as possible, knowing that we do not possess the expertise to make all necessary adjustments.

ITEM ARISING THIS YEAR

10-1 Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

The Office of Management and Budget's (OMB) Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities* subpart C § .300, requires, "The auditee shall (a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity; (d) prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with subpart C § .310."

Itasca County does not prepare a SEFA, nor does it adequately identify federal programs by amount received and expended, federal grantor agency, pass-through agency, and Catalog of Federal Domestic Assistance (CFDA) title and number as required under OMB Circular A-133. In addition, Itasca County is not properly identifying federal revenues in the general ledger system. Many of the federal revenues received were improperly classified as state revenues or reimbursements in the general ledger accounts.

This condition results in a deficiency in internal control over financial statement preparation and the reporting of federal financial assistance by the County. Since the County has not developed procedures for properly identifying all federal financial assistance, the County relies on its auditors for assistance with preparing the SEFA. Independent auditors cannot be considered part of the County's internal control over financial reporting.

We recommend that Itasca County management develop a process, including written procedures, which will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments informing accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, properly classifying the receipts into appropriate

federal revenue accounts in the general ledger system, and comparison of the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act funding is involved. The federal CFDA website is available to assist in this process. Those responsible for compiling the SEFA should obtain the training necessary (through courses or reference materials) to understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

Client's Response:

Department managers will begin to classify and code all grant revenues as to the origin of those dollars. Federal, State and other grants will be identified and coded throughout the year to enable the Chief Accountant to better identify these grants and to prepare the SEFA report at year end.

PREVIOUSLY REPORTED ITEMS RESOLVED

Internal Control Over Budgeting (06-2)

During prior audits, we noted several material budget errors such as state aids which were reported twice in the budget document and a worksheet error which resulted in a negative levy in the Debt Service Fund. We recommended the County Auditor/Treasurer reconcile the budget document approved by the County Board to the budget entered into the IFS revenue guideline report and that both the County Auditor/Treasurer and the Chief Accountant review the budget before it is finalized for any budget line items that are unusual or inconsistent with the prior year.

Resolution

During our current audit, we noted no material budget errors.

Accounting Policies and Procedures Manual (06-5)

In our prior audit we noted that Itasca County did not have a current and comprehensive accounting policies and procedures manual documenting the accounting policies and procedures which make up the County's internal control system. We recommended the County establish an accounting policies and procedures manual and have it approved by the County Board.

Resolution

The County Auditor/Treasurer prepared an accounting policies and procedures manual and it was approved by the County Board on July 26, 2011.

Physical Inventory of Capital Assets (08-1)

A physical inventory of capital assets had not been done since the capital asset records were initially established in 2003. We recommended a physical inventory of capital assets be performed at least once every five years. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year.

Resolution

The Chief Accountant began taking physical inventories on a rotation basis in 2010. She inventoried the Administrative, Attorneys, Recorders, Surveyors, Zoning, and Solid Waste departments. She plans to inventory the rest of the departments over the next two years. A physical inventory will be done in each department every three years.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-7 Broker Certifications

The County is required by Minn. Stat. § 118A.04, subd. 9, to annually obtain a certification from each broker with which the County invests in which the broker acknowledges it has received the County's investment restrictions and agrees to handle the County's account in accordance with the restrictions. For 2009, Itasca County did not obtain broker certifications from any of its brokers. For 2010, the County obtained broker certifications from all of its brokers, except for Wells Fargo.

We recommend the County obtain broker certifications annually in accordance with Minn. Stat. § 118A.04, subd. 9.

Client's Response:

Auditor staff have worked with Wells Fargo to obtain the proper broker certifications and we are awaiting a signed copy to be returned.

Collateral Assignments

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.

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 depository “shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.” Grand Rapids State Bank updated its pledge agreement in 2010 so that it is now current; however, the new pledge agreement also does not contain the language required by Minn. Stat. § 118A.03, subd. 4.

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.

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:

On July 25, 2011, Wells Fargo submitted a new collateral agreement to Itasca County; however, upon review by the State Auditor, the agreement is not in compliance with Minnesota statutes. I have advised Wells Fargo of this and will continue to work toward a solution.

ITEMS ARISING THIS YEAR10-2 Ratings on Collateral

The County Auditor/Treasurer accepted collateral pledged by the First National Bank of Coleraine, which was not legal collateral according to Minn. Stat. § 118A.03, subd. 2. The collateral pledged was \$500,000 of City of St. Paul taxable revenue bonds which were rated A+ by Standard and Poors. The statute requires that revenue bonds pledged as collateral be rated AA or better. The collateral ratings information and description of securities pledged provided by the bank are not always detailed enough for the client to determine whether the collateral meets the requirements of Minn. Stat. § 118A.03, subd. 2.

We recommend the County Auditor/Treasurer review all collateral pledged to determine that it meets the requirements of Minn. Stat. § 118A.03, subd. 2, before accepting it as collateral for the County's deposits. If the information provided by the bank is not detailed enough to conclude that the pledged collateral is legal, the County Auditor/Treasurer should obtain more information from the bank.

Client's Response:

All authorized depositories have been given the Itasca County investment policy, and they are all aware of the types of collateral required by the County. This was a mistake made by the bank involved and, as soon as they were made aware of the deficiency, the collateral was promptly replaced. Itasca County's Chief Accountant and the Auditor/Treasurer will pay closer attention to the collateral pledged by all depositories to make sure it complies with Minnesota statutes.

10-3 Investments

In 2010, the Itasca County Auditor/Treasurer opened an investment management account with Wells Fargo. One of the investments purchased for the County by the investment manager of this account was a \$150,000 bond issued by Lincoln Center Building Corporation. The County's investment manager believed this to be a legal investment and the County relied on its analysis. However, it would be difficult to determine whether this investment was permissible without a legal analysis of the structure of the issuing entity.

Lincoln Center Building Corporation is a nonprofit organization organized in Indiana and is not a municipal entity with taxing powers. Investments in nonprofit organizations are not listed as permissible investments under Minn. Stat. § 118A.04. Also, even if this was a municipality, the bonds are revenue bonds payable from lease payments; there is no public entity pledging its taxing authority to make bond payments. Therefore, this bond would need to be rated AA or higher to be a legal investment and it is only rated A+. Therefore, this is not a permissible investment for Minnesota municipalities under Minn. Stat. § 118A.04.

We recommend the County Auditor/Treasurer monitor the investments purchased by the investment manager to make certain they are permissible investments under Minn. Stat. § 118A.04. If it is not clear whether the issuing entity is a municipality, the County Auditor/Treasurer should obtain more information from the investment manager or from the issuing entity itself.

Client's Response:

Although this bond represents only three-tenths of one percent of our entire investment portfolio, it does not comply with the above mentioned statute. The investment was immediately sold off and replaced when it was found to be non-compliant.

PREVIOUSLY REPORTED ITEM RESOLVED

Safekeeping of Investments (07-3)

During our prior audit, we noted that Itasca County had investments which were held in safekeeping at brokerage firms that did not meet the requirements of Minn. Stat. § 118A.06.

Resolution

In 2010, the Legislature revised this statute to allow brokers to hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) coverage or excess SIPC coverage. Since the County's brokers now meet the requirements of the revised statute, the County is now in compliance with this statute.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Itasca County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are

generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_state ment.pdf.



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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*

Board of County Commissioners
Itasca County

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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2011. The financial statements include the Nursing Home Enterprise Fund as of and for the year ended September 30, 2010. Our report includes a reference to other auditors. We conducted our audit 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. 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, we considered Itasca County's internal control over financial reporting as a basis for designing our auditing procedures 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 deficiencies 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 06-4 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 considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-5, 06-2, 06-3, and 10-1 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itasca County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because that provision was not applicable.

The results of our tests indicate that, for the items tested, Itasca County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 06-7, 08-4, 10-2, and 10-3.

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

Itasca County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Itasca County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Itasca County

Compliance

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 its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Itasca County complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Itasca County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2011