STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT OF

ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011

Management and Compliance Report

Audit Practice Division
Office of the State Auditor
State of Minnesota

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ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

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ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Payments in Lieu of Taxes	CFDA #15.226
Justice Assistance Grant Cluster	
Edward Bryne Memorial Justice Assistance Grant Program	CFDA #16.738
Edward Bryne Memorial Justice Assistance Grant Program/Grants to States and Territories - ARRA	CFDA #16.803
Edward Bryne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - ARRA	CFDA #16.804
Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563
Social Services Block Grant Title XX	CFDA #93.667

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

Itasca County qualified as low-risk auditee? **No**

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

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

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

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Itasca County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

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

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

Client's Response:

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

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

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

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

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

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

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

Client's Response:

We will review the county's budget policy and make the recommended adjustments.

06-4 Audit Adjustments and/or Restatements

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis. 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: Audit adjustments were necessary to reduce improper receivables and payables found during the audit, and make reclassification and elimination entries as necessary.

Cause: The adjustments were required due to incomplete or improper information being used to prepare the financial worksheets used to summarize information for the financial statement.

Recommendation: We recommend that the County staff review the trial balances, journal entries, and financial statement presentation in detail to help ensure their accuracy. Significant errors or misclassifications noted should be corrected.

Client's Response:

Many of the material adjustments were issues related to the Essar Steel project which will not be an issue in future years. Other significant entries were reclassifications. We will follow the above recommendation and review the trial balance more carefully in future years.

PREVIOUSLY REPORTED ITEMS RESOLVED

Preparation of Financial Statements (06-3)

The County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

In 2012, the County hired a private accounting firm to prepare their financial statements for the year ended December 31, 2011. County management has also improved its understanding of underlying accounting data and the process used in the preparation of the financial statements.

Schedule of Expenditures of Federal Awards (10-1)

The County needed to improve its system of identifying federal award information to facilitate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

In 2012, the County hired a private accounting firm, who prepared the December 31, 2011 SEFA. The County has also improved its system of identifying federal award information to provide sufficient information for the preparation of the SEFA.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-7 Broker Certifications

Criteria: 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.

Condition: For 2011, the County obtained broker certifications from all of its brokers, except one was not obtained from Wells Fargo.

Context: Broker certifications are used to help assure that investment brokers being used are familiar with deposit and investment legal requirements applicable to the County and that the broker only makes investments that are in compliance with legal requirements and the county investment policy.

Effect: Violation of Minnesota Statutes and an increased risk of non-compliant investments being made.

Cause: Unknown. Certifications were obtained from all other brokers used during the year.

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

Client's Response:

We will again make an effort to obtain broker certifications from Wells Fargo.

08-4 Collateral Assignments

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

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

Context: Current collateral assignments are advisable to ensure that the proper statutory language is included in the collateral assignments so that the County's interests are properly protected. The collateral assignments should also be approved by the bank's Board of Directors or loan committee in order to perfect the collateral.

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

Cause: The County attempted to obtain a new collateral assignment from Wells Fargo in 2011, however, the new collateral assignment still did not have the required language and was never entered into. For Grand Rapids State Bank, the updated assignment was not written with the proper language included.

Recommendation: We recommend that the Chief Accountant obtain new collateral assignments from each of these banks. The new assignments should be reviewed to make sure they include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and are approved by the Bank's Board of Directors or loan committee.

Client Response:

We will again try to work with our brokers to obtain the proper language in our collateral assignment agreements.

PREVIOUSLY REPORTED ITEMS RESOLVED

Ratings on Collateral (10-2)

In 2010, the County Auditor/Treasurer accepted, as collateral pledged to secure deposits and investments, bonds that were rated below the ratings required under Minn. Stat. §118A.03, subd. 2.

Resolution

Testing of collateral pledged for 2011 disclosed that all collateral tested was adequately rated in accordance with Minnesota statutes.

Investments (10-3)

In 2010, the County Auditor/Treasurer opened an investment management account with Wells Fargo. An investment purchased through this account for Itasca County was not a permissible investment under Minn. Stat. §118A.04.

Resolution

The non-compliant investment was sold, and all other investments reviewed for the current audit were permissible under applicable Minnesota statutes.

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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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2012. The financial statements include the Nursing Home Enterprise Fund as of and for the year ended September 30, 2011. 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.

<u>Internal Control Over Financial Reporting</u>

Management of Itasca County is responsible for establishing and maintaining effective 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 consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 96-5 and 06-2 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 and 08-4.

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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 24, 2012

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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, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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.

Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated September 24, 2012. Our audit was performed for the purpose of forming opinions on Itasca County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The SEFA 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as whole.

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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 24, 2012

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ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Cooperative Agreement - Moose Creek Road	10.11-RO-11090320-031	$ 120,000
Cooperative Agreement - Wabana Creek Bridge	10.10-RO-11090320-022	38,101
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	195,698
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	329,985
Passed Through Minnesota Department of Natural Resources		
Cooperative Forestry Assistance	10.664	18,917
Passed Through Minnesota Department of Finance		
Schools and Roads - Grants to States	10.665	225,198
Total U.S. Department of Agriculture		**$ 927,899**
U.S. Department of Commerce		
Passed Through the Minnesota Department of Public Safety		
Public Safety Interoperable Communications Grant Program	11.555	**$ 438,335**
U.S. Department of the Interior		
Direct		
Payments in Lieu of Taxes	15.226	**$ 444,435**
U.S. Department of Justice		
Direct		
Supervised Visitation, Safe Havens for Children	16.527	$ 97,579
Drug Court Discretionary Grant Program	16.585	99,985
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	101,744
Bulletproof Vest Partnership Program	16.607	16,715
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	74,944
Justice Assistance Grant Program Cluster		
Edward Bryne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - ARRA	16.804	7,861

ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Justice (Continued)		
Passed Through the Minnesota Department of Public Safety		
Public Safety Partnership and Community Policing Grants	16.710	1,384
Justice Assistance Grant Program Cluster		
Edward Bryne Memorial Justice Assistance Grant Program	16.738	20,195
Edward Bryne Memorial Justice Assistance Grant Program/Grants to States and Territories - ARRA	16.803	83,801
Total U.S. Department of Justice		**$ 504,208**
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	$ 2,894,764
Passed Through Minnesota Department of Public Safety		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1,035
Total U.S. Department of Transportation		**$ 2,895,799**
U.S. Department of Health and Human Services		
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board		
Public Health Emergency Preparedness	93.069	$ 37,309
Maternal and Child Health Services Block Grant to the States	93.994	56,980
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,529
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	612,292
Emergency Contingency Fund for Temporary Assistance for Needy Families State Program - ARRA	93.714	12,118
Child Support Enforcement	93.563	938,295
Child Care Cluster		
Child Care Development Block Grant	93.575	10,520
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	19,112
Stephanie Tubbs Jones Child Welfare Services Program	93.645	16,143
Foster Care Title IV-E	93.658	73,353
Social Services Block Grant Title XX	93.667	321,871
Chafee Foster Care Independence Program	93.674	17,173
Children's Health Insurance Program	93.767	251
Medical Assistance Program	93.778	1,265,589
Block Grant for Community Mental Health Services	93.958	64,445
Passed Through Minnesota Department of Health		
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	65,354
Total U.S. Department of Health and Human Services		**$ 3,519,334**

ITASCA COUNTY
GRAND RAPIDS, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	$ 19,997
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	29,260
Interoperable Emergency Communications	97.055	35,440
Homeland Security Grant Program	97.067	61,430
Total U.S. Department of Homeland Security		**$ 146,127**
Total Federal Awards		**$ 8,876,137**

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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.

4. Clusters

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

Justice Assistance Grant Program Cluster	$	111,857
Temporary Assistance for Needy Families Cluster		689,764
Child Care Cluster		29,632

5. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	$	8,923,281
Grants received more than 60 days after year-end deferred in 2011		
Supervised Visitation, Safe Havens for Children		47,956
Grants to Encourage Arrest Policies and Enforcement of Protections Orders Program		57,165
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		17,368
Temporary Assistance for Needy Families (TANF)		15,804
Deferred in 2010, recognized as revenue in 2011		
Supervised Visitation, Safe Havens for Children		(36,390)
Grants to Encourage Arrest Policies and Enforcement of Protections 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)
Expenditures Per Schedule of Expenditures of Federal Awards	$	8,876,137

6. Subrecipients

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

CFDA Number	Program Name		Amount Provided to Subrecipients
16.527	Supervised Visitation, Safe Havens for Children	$	97,579
16.590	Grants to Encourage Arrest Policies		90,572
16.736	Transitional Housing Assistance		74,944
Total		$	263,095

7. American Recovery and Reinvestment Act

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