

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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MANAGEMENT AND COMPLIANCE REPORT  
PREPARED AS A RESULT OF THE AUDIT OF

**ANOKA COUNTY**  
**ANOKA, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2004

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

**For the Year Ended December 31, 2004**



**Management and Compliance Report**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

**Schedule 1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Anoka County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Anoka County were disclosed during the audit.
- D. Reportable conditions relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." None were material weaknesses.
- E. The Auditor's Report on Compliance for the major federal award programs for Anoka County expresses an unqualified opinion.
- F. Findings relative to a major federal award program for Anoka County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Home Investment Partnerships	CFDA #14.239
Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CFDA #93.596
Social Services Block Grant Title XX	CFDA #93.667
State Domestic Preparedness Equipment Support Program	CFDA #97.004

H. The threshold for distinguishing between Types A and B programs was \$663,088.

I. Anoka County was determined to be a low-risk auditee.

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

None.

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

04-1 Highway Planning and Construction – Davis-Bacon Act – CFDA #20.205

Anoka County had no documented monitoring process for determining compliance with the Davis-Bacon Act which requires the County to pay prevailing wage rates not less than those established by the U.S. Department of Labor on projects funded by federal dollars. Furthermore, the County provided no evidence that it had actually performed procedures to determine compliance with the Davis-Bacon Act.

We recommend the County develop written procedures for monitoring compliance with the Davis-Bacon Act. Documentation should exist to support the monitoring of and compliance with this requirement.

Corrective Action Plan:

Contact Persons:

*Doug Fischer, Highway*  
*Lyndon Robjent, Highway*

Corrective Action Planned:

*It is Anoka County Policy to use prevailing wage rates on all of our construction projects whether we use county, state-aid, state, or federal funds. On our contracts that use federal funds, all specifications and special provisions with regard to prevailing wage coverage are prepared by the MnDOT State Aid Office with coordination with the MnDOT Office of Labor Compliance and the Minnesota Department of Labor and Industry. These specifications and all attachments are assembled by Highway Department staff in the final plans and specification package.*

*New: Before distribution of the specification package the County Attorney's Office performs a final review.*

*The specifications require weekly wage compliance statement forms from the contractor and subcontractors (MnDOT 21658A). Before a project is closed out and final payment made, these documents are checked and IC-134s must be received.*

Anticipated Completion Date:

*August 22, 2005*

04-2 Home Investment Partnerships (CFDA #14.239), and Highway Planning and Construction (CFDA #20.205) – Procurement, Suspension, and Debarment

The County had no documented monitoring process for determining compliance with the procurement, suspension, and debarment requirements for its Home Investment Partnerships and Highway Planning and Construction Grants. Furthermore, evidence was not available to support that the County actually had performed procedures to determine compliance with these requirements.

**Schedule 1**  
**(Continued)**

Federal Regulation 45 CFR 92.35 prohibits any state or agency from purchasing goods and services with federal money from vendors who have been suspended or debarred by the federal government. Compliance with this requirement can be determined by looking up the contractor or vendor in question on the "Excluded Parties List System" via the internet address <http://epls.arnet.gov>.

We recommend the County develop written procedures for monitoring compliance with the procurement, suspension, and debarment requirements. Documentation should exist to support the monitoring of and compliance with these requirements.

Corrective Action Plan: (CFDA #14.239)

Contact Persons:

*Karen Skepper, Community Development*  
*Kate Thunstrom, Community Development*

Corrective Action Planned:

*We have further developed our written procedures and created project checklists to indicate compliance with the procurement, suspensions, and debarment requirements of these programs. The debarment list is reviewed prior to signing the contract. The list is printed and kept in the project file to prove compliance.*

Anticipated Completion Date:

*August 22, 2005*

Corrective Action Plan: (CFDA #20.205)

Contact Persons:

*Doug Fischer, Highway*  
*Lyndon Robjent, Highway*

Corrective Action Planned:

*A notice of suspended and debarred individuals and businesses is attached to all federally funded construction projects. MnDOT Office of State Aid provides these notices to us for inclusion in our specifications and special provisions.*

*Before work commences, the contractor submits a list of subcontractors and material suppliers to us for our review.*

Anticipated Completion Date:

*August 22, 2005*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

04-3 Golf Course Enterprise Fund

Following are the Golf Course Enterprise Fund's net losses before contributions and transfers for the past four years:

2004	\$	(313,280)
2003		(441,650)
2002		(279,304)
2001		(278,411)
		<hr/>
Total	\$	<u>(1,312,645)</u>

In addition, since 1997 the golf course has borrowed \$1,850,000 from other funds to meet its financial commitments. The recent trend of operating losses in the Golf Course Enterprise Fund raises concerns about whether it will be able to repay these interfund loans.

We recommend the County Board examine the need to continue its golf course operations in light of the recent operating losses.

Client's Response:

Contact Person:

*John VonDeLinde, Parks*

*Prior to 2001, Chomonix Golf Course generated sufficient revenues to provide for the ongoing operation of the course and sufficient retained earnings to undertake a number of infrastructure improvements. Since 2001, golf courses across the country have been a substantial decrease in levels of play. Contributing factors have been a depressed economy, no growth in the number of people playing golf, and an increase in the number of courses built in the 1990s. Chomonix has been exposed to these same factors, in addition very wet spring and fall weather patterns, resulting in similar reductions in the number of rounds played since 2001.*

*The numbers reported by the State Auditor on the golf course include depreciation and interest payments to the building fund for capital improvements. Depreciation averages \$155,000 each year and interest expense for advances for capital improvements average \$40,000. Loss on disposal of capital assets was much higher for 2003 and 2004 due to a change in capitalization threshold and removal of those assets under the new threshold and the removal of assets incorrectly accounted for as a capital lease item.*

*Measures are being taken to bring the golf course back to a positive cash-flow position. There has been a reduction in full-time staff complement, beginning in 2005, of 1.5 FTEs. This will result in a savings of about \$100,000 per year. Golf pro services are being outsourced to save additional dollars. Other cost-saving measures are being implemented. Advertising and promotion is being increased. Revenues have been increasing each year since the low point in 2001. Careful monitoring and adjustments will continue to be made as necessary.*

*Discussions have taken place whether or not the golf course should continue as an enterprise fund. The County Board will address that decision in 2006.*



**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners  
Anoka County

We have audited the financial statements of Anoka County as of and for the year ended December 31, 2004, and have issued our report thereon dated May 13, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anoka County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anoka 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 Local Government*, 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 Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested Anoka County complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: May 13, 2005



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**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Anoka County

Compliance

We have audited the compliance of Anoka County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Anoka 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 Anoka 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, Anoka County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

#### Internal Control Over Compliance

The management of Anoka 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Anoka County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-1 and 04-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions indicated above is a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Anoka County as of and for the year ended December 31, 2004, and have issued our report thereon dated May 13, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: May 13, 2005

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**ANOKA COUNTY  
ANOKA, MINNESOTA**

**Schedule 2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Education Child Nutrition Cluster School Breakfast Program	10.553	\$ 46,926
National School Lunch Program	10.555	78,355
<b>Total Child Nutrition Cluster</b>		<b>\$ 125,281</b>
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	629,338
Passed Through Minnesota Department of Human Services Administrative Matching Grant for Food Stamp Program	10.561	64,324
<b>Total U.S. Department of Agriculture</b>		<b>\$ 818,943</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Community Development Block Grant (CDBG)	14.218	\$ 1,380,586
Home Investment Partnerships	14.239	1,016,381
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ 2,396,967</b>
<b>U.S. Department of the Interior</b>		
Direct National Register of Historic Places	15.914	\$ 28,000
Passed through Minnesota Department of Natural Resources State Wildlife Grant	15.634	7,713
<b>Total U.S. Department of the Interior</b>		<b>\$ 35,713</b>
<b>U.S. Department of Justice</b>		
Direct Criminal Alien Assistance Program	16.606	\$ 34,444
Bulletproof Vest Partnership Program	16.607	2,868
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	92,018
Crime Victim Assistance	16.575	23,288
Byrne Formula Grant Program	16.579	248,688

**ANOKA COUNTY  
ANOKA, MINNESOTA**

**Schedule 2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety (Continued)		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	163,046
Enforcing Underage Drinking Laws Program	16.727	2,100
<b>Total U.S. Department of Justice</b>		<b>\$ 566,452</b>
<b>U.S. Department of Labor</b>		
Direct		
Workforce Investment Act (WIA) Cluster		
WIA Youth Activities	17.259	\$ 623,183
Passed Through Minnesota Department of Employment and Economic Development		
Senior Community Service Employment Program (SCSEP)	17.235	135,471
WIA Cluster		
WIA Adult Program	17.258	180,662
WIA Youth Activities	17.259	155,398
WIA Dislocated Workers	17.260	346,163
Passed Through Hennepin County, Minnesota		
WIA Cluster		
WIA Dislocated Workers	17.260	62,848
Employment and Training - Administrative Pilots, Demonstrations, and Research Projects	17.261	129,009
<b>Total U.S. Department of Labor</b>		<b>\$ 1,632,734</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 3,611,777
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	4,136
Passed Through City of Coon Rapids, Minnesota		
State and Community Highway Safety	20.600	3,465
<b>Total U.S. Department of Transportation</b>		<b>\$ 3,619,378</b>

**ANOKA COUNTY  
ANOKA, MINNESOTA**

*Schedule 2*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health Indoor Radon Grant	66.032	\$ <u>24,588</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Injury Prevention and Control Research Projects	93.136	\$ 19,411
Promoting Safe and Stable Families	93.556	66,202
Temporary Assistance for Needy Families (TANF)	93.558	2,538,173
Child Care and Development Block Grant	93.575	37,119
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,694,115
Child Welfare Services	93.645	38,839
Adoption Opportunities	93.652	31,912
Foster Care Title IV-E	93.658	718,668
Social Services Block Grant (Title XX)	93.667	1,810,496
Chafee Foster Care Independent Living	93.674	31,884
Passed Through Minnesota Department of Health Tuberculosis Control Programs Grant	93.116	7,500
Immunization Grants	93.268	48,876
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	443,321
Temporary Assistance for Needy Families (TANF)	93.558	118,863
Refugee and Entrant Assistance	93.576	7,500
Assistance Programs for Chronic Disease Prevention and Control	93.945	7,359
Community Mental Health Services Block Grant	93.958	55,401
Maternal and Child Health Services Block Grant	93.994	<u>296,595</u>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ <u>9,972,234</u></b>

**ANOKA COUNTY  
ANOKA, MINNESOTA**

*Schedule 2*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>Corporation for National and Community Service</b>		
Direct		
Retired Senior Volunteer Program (RSVP)	94.002	<u>\$ 36,488</u>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 2,853,262
Hazard Mitigation Grant	97.039	2,417
Emergency Management Performance Grant	97.042	107,217
State and Local Emergency Operations Planning Grant	97.051	26,602
Passed through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	<u>9,932</u>
<b>Total U.S. Department of Homeland Security</b>		<u><b>\$ 2,999,430</b></u>
<b>Total Federal Awards</b>		<u><b>\$ 22,102,927</b></u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Anoka County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2004, CFDA Nos. 14.218 and 93.596 were passed through to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.