

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

ANOKA COUNTY
ANOKA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 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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**ANOKA COUNTY
ANOKA, MINNESOTA**

For the Year Ended December 31, 2014



Management and Compliance Report

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

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**ANOKA COUNTY
ANOKA, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	8
Schedule of Expenditures of Federal Awards	11
Notes to the Schedule of Expenditures of Federal Awards	15

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**ANOKA COUNTY
ANOKA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- 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: **Unmodified**

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

The major programs are:

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557
Workforce Investment Act (WIA) Cluster	
WIA Adult Program	CFDA #17.258
WIA Youth Activities	CFDA #17.259
WIA Dislocated Worker Formula Grants	CFDA #17.278
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Recreational Trails Program	CFDA #20.219
Social Services Block Grant	CFDA #93.667

The threshold for distinguishing between Types A and B programs was \$1,064,274.

Anoka County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding 2014-001

Financial Software Security User Report

Criteria: The financial system software should have the capacity to generate a security report that provides the System Administrator with information on who has access to the system, which areas they have access to, and any changes made to the security setup.

Condition: During our testing of the County's user access to the financial system software, we requested a security report that lists which employees have access to the various applications within the system. We were informed the financial system did not have the capability to provide such a report. We tested those employees who should have access to the vendor setup function to verify that they didn't also have access to process payments. During this testing, we noted one individual in Human Services who had access to both functions. We notified the appropriate supervisor, and access was immediately changed.

Context: The County's new financial software was implemented in January 2014.

Effect: Lack of internal controls and monitoring of access to financial system functions such as vendor setup, accounts payable, and journal entry approval and processing.

Cause: The County's financial system software does not have the capability to generate a security user report that lists which users have access to the various accounting functions or masks within the system.

Recommendation: We recommend management work with the software vendor to develop a security access report that tracks user access to key system functions.

Client's Response:

The Anoka County Accounting Department is working with the software vendor to develop reports indicating what access each user has been granted within the system.

PREVIOUSLY REPORTED ITEM RESOLVED

Approval of Payments (2013-001)

During the previous audit, 4 of the 11 disbursements in excess of \$500,000 selected for testing had no evidence of approval by the Finance and Central Services Division Manager as required by the County's Financial Policies.

Resolution

All disbursements in excess of \$500,000 tested during the current audit were approved by the Finance and Central Services Division Director.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Davis-Bacon Act (2013-002)

During our previous audit of the Highway Planning and Construction Grant, we noted that the County had no documented monitoring process for determining whether the grant was in compliance with the provisions of the Davis-Bacon Act regarding the payment of prevailing wages to contractors and subcontractors. The County was receiving the certified payrolls from contractors and subcontractors but did not maintain evidence that the certified payrolls were reviewed for compliance with the Davis-Bacon Act.

Resolution

A Contract Administrator was hired by the County, and procedures are in place to monitor compliance with the Davis-Bacon Act. During our current year testing of the Highway Planning and Construction Grant, we found that the County is now maintaining evidence that all weekly payroll reports are received and checked for compliance with the Davis-Bacon Act.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Anoka County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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

Independent Auditor's Report

Board of County Commissioners
Anoka County
Anoka, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anoka County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anoka County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anoka County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Anoka County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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.

Anoka County's Response to Findings

Anoka County's response to the internal control finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 25, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Anoka County
Anoka, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Anoka County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anoka County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit

includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Anoka County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Anoka County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Anoka County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated June 25, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 25, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**ANOKA COUNTY
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 70,092
National School Lunch Program	10.555	108,928
Passed through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,360,345
Passed through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	3,022,605
Passed through Minnesota Department of Agriculture		
WIC Farmers' Market Nutrition Program (FMNP)	10.572	<u>1,599</u>
Total U.S. Department of Agriculture		<u>\$ 4,563,569</u>
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,526,726
Continuum of Care Program	14.267	16,436
Passed through Dakota County Community Development Agency		
Home Investment Partnerships Program	14.239	251,848
Passed through Minnesota Department of Health		
Asthma Interventions in Public and Assisted Multifamily Housing	14.914	<u>12,106</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,807,116</u>
U.S. Department of Justice		
Direct		
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	\$ 161,623
State Criminal Alien Assistance Program	16.606	8,787
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10,662
Passed through the City of St. Paul		
Services for Trafficking Victims	16.320	9,949
Passed through Minnesota Department of Public Safety		
Juvenile Accountability Block Grants	16.523	<u>13,510</u>
Total U.S. Department of Justice		<u>\$ 204,531</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Labor		
Passed through Minnesota Department of Employment and Economic Development		
Senior Community Service Employment Program	17.235	\$ 175,535
(Total Senior Community Service Employment Program 17.235 \$384,561)		
Workforce Investment Act (WIA) Cluster		
WIA Adult Program	17.258	366,953
WIA Youth Activities	17.259	410,843
WIA Dislocated Worker Formula Grants	17.278	485,737
Incentive Grants - WIA Section 503	17.267	9,584
WIA National Emergency Grants	17.277	88,747
Passed through Senior Service America Inc.		
Senior Community Service Employment Program	17.235	209,026
(Total Senior Community Service Employment Program 17.235 \$384,561)		
Passed through Anoka Ramsey Community College		
Trade Adjustment Assistance Community College and Career Training (TAACCCT)		
Grants	17.282	<u>20,907</u>
Total U.S. Department of Labor		<u>\$ 1,767,332</u>
U.S. Department of Transportation		
Passed through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 7,977,408
Recreational Trails Program	20.219	100,000
Passed through Metropolitan Council		
Federal Transit - Formula Grants	20.507	108,198
Job Access and Reverse Commute Program	20.516	57,743
Passed through the City of Coon Rapids		
State and Community Highway Safety	20.600	4,355
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	46,378
National Priority Safety Programs	20.616	<u>8,373</u>
Total U.S. Department of Transportation		<u>\$ 8,302,455</u>
Institute of Museum and Library Services		
Passed through Minnesota Department of Education		
Grants to States	45.310	<u>\$ 3,997</u>
U.S. Department of Education		
Passed through Minnesota Department of Employment and Economic Development		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	<u>\$ 49,795</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Continued)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 3,126
Passed through Metropolitan Area Agency on Aging National Family Caregiver Support, Title III, Part E	93.052	85,554
Passed through Minnesota Department of Health Public Health Emergency Preparedness	93.069	240,825
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,000
Universal Newborn Hearing Screening	93.251	5,325
Immunization Cooperative Agreements	93.268	18,800
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,800
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	384,912
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,663,875)	93.558	315,520
Refugee and Entrant Assistance - Discretionary Grants	93.576	3,000
Maternal and Child Health Services Block Grant to the States	93.994	233,202
Passed through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	19,644
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	4,200
Promoting Safe and Stable Families	93.556	124,809
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$3,663,875)	93.558	3,348,355
Child Support Enforcement	93.563	5,820,298
Child Care and Development Block Grant	93.575	319,164
Stephanie Tubbs Jones Child Welfare Services Program	93.645	38,120
Foster Care - Title IV-E	93.658	475,337
Social Services Block Grant	93.667	1,455,172
Chafee Foster Care Independence Program	93.674	24,759
Medical Assistance Program	93.778	<u>5,543,839</u>
Total U.S. Department of Health and Human Services		\$ <u>18,466,761</u>
Corporation for National and Community Service		
Direct Retired and Senior Volunteer Program	94.002	\$ <u>29,762</u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(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	\$ 8,571
Passed through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	127,211
Homeland Security Grant Program	97.067	140,712
Passed through Washington County		
Port Security Grant Program	97.056	<u>4,006</u>
Total U.S. Department of Homeland Security		\$ <u>280,500</u>
Total Federal Awards		\$ <u><u>35,475,818</u></u>

**ANOKA COUNTY
ANOKA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Anoka County. The County's reporting entity is defined in Note 1.A. to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Anoka County under programs of the federal government for the year ended December 31, 2014. 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 Anoka County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Anoka 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 grant numbers were not assigned by the pass-through agencies.

4. Clusters

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

Child Nutrition Cluster	\$ 179,020
Workforce Investment Act Cluster	1,263,533
Highway Planning and Construction Cluster	8,077,408

**ANOKA COUNTY
ANOKA, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 37,828,986
Grants received more than 120 days after year-end, unavailable in 2014	
Highway Planning and Construction	168,838
Grants unavailable in 2013, recognized as revenue in 2014	
Highway Planning and Construction	<u>(2,522,006)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u>\$ 35,475,818</u>

6. Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,513,502
14.239	Home Investment Partnerships Program	<u>224,350</u>
	Total	<u>\$ 1,737,852</u>