

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MANAGEMENT AND COMPLIANCE REPORT FOR THE METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

YEAR ENDED DECEMBER 31, 2009

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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**METROPOLITAN COUNCIL OF
THE TWIN CITIES AREA**

Year Ended December 31, 2009



Management and Compliance Report

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

This page was left blank intentionally.

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Schedule of Findings and Questioned Costs	Schedule 1	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>		4
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		7
Schedule of Expenditures of Federal Awards	Schedule 2	10
Notes to the Schedule of Expenditures of Federal Awards		14

This page was left blank intentionally.

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of the Metropolitan Council.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of the Metropolitan Council and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiency is a material weakness.
- C. No instances of noncompliance material to the financial statements of the Metropolitan Council were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for the Metropolitan Council expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Public Housing Capital Fund Programs Cluster	
Public Housing Capital Fund	CFDA #14.872
Public Housing Capital Fund (Formula) - ARRA	CFDA #14.885
Federal Transit Cluster	
Capital Investment Grants	CFDA #20.500
Formula Grants	CFDA #20.507
Formula Grants - ARRA	CFDA #20.507
Capitalization Grants for Clean Water Cluster	
Capitalization Grants for Clean Water - State	
Revolving Funds	CFDA #66.458
Capitalization Grants for Clean Water - State	
Revolving Funds - ARRA	CFDA #66.458

- H. The threshold for distinguishing between Types A and B programs was \$3,000,000.
- I. The Metropolitan Council was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

07-1 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we identified the following material adjustments that were reviewed and approved by the appropriate Council staff and are reflected in the financial statements:

- Due from other governments and accounts payable were decreased by \$6,179,435 in the Metro Transit Light Rail Enterprise Fund.
- Due from other governments and accounts payable were decreased by \$3,252,220 in the Metro Transit Commuter Rail Enterprise Fund.
- Due from other governments and accounts payable were increased by \$2,428,600 in the Metro Transit Commuter Rail Enterprise Fund.
- Capital assets and capital contributions were decreased by \$1,214,300 in the Metro Transit Commuter Rail Enterprise Fund.
- Bonds/Loans payable were decreased and capital contributions were increased by \$8,196,250 in the Environmental Services Enterprise Fund.

We recommend the Council establish internal controls necessary to determine that all adjusting entries are made to ensure the Council's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

The Council will continue year-end review of individual account balances within funds to determine appropriate CAFR adjustments in accordance with Generally Accepted Accounting Principles. In addition to this year-end review, particular accounts like capital contributions and intragovernmental balances will be reviewed at least quarterly by accounting staff.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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*

Council Members
Metropolitan Council of the Twin Cities Area

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 28, 2010. Our report was modified to include 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 Metropolitan Sports Facilities Commission component unit as described in our report on the Metropolitan Council's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metropolitan Council'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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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.

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 Council'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 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Council'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 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 tax increment financing because the Metropolitan Council does not utilize tax increment financing.

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

The Metropolitan Council's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. We did not audit the Council's response and, accordingly, we express no opinion on it.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 28, 2010

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Council Members
Metropolitan Council of the Twin Cities Area

Compliance

We have audited the compliance of the Metropolitan Council 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, 2009. The Metropolitan Council'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 Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

The Metropolitan Council's financial statements include the operations of the Metropolitan Sports Facilities Commission component unit, which expended no federal awards during the year ended December 31, 2009. Our audit, described below, did not include the operations of the Metropolitan Sports Facilities Commission because the Commission was audited by other auditors.

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 the Metropolitan Council'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 Council's compliance with those requirements.

In our opinion, the Metropolitan Council 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, 2009.

Internal Control Over Compliance

Management of the Metropolitan Council 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 Council'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 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 Council'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 the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the Council's basic

financial statements, and have issued our report thereon dated June 28, 2010. We did not audit the financial statements of the Metropolitan Sports Facilities Commission component unit as of and for the year ended December 31, 2009. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the Metropolitan Council's financial statements that collectively comprise the Council'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 Metropolitan Council members, audit committee, management and others within the Council, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 28, 2010

This page was left blank intentionally.

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct			
Shelter Plus Care	14.238	MN0010C5K000801	\$ 570,884
Shelter Plus Care	14.238	MN0046C5K010801	521,917
Shelter Plus Care	14.238	MN0068C5K030801	85,838
Shelter Plus Care	14.238	MN46C300001	167,284
Shelter Plus Care	14.238	MN46C400001	295,430
Shelter Plus Care	14.238	MN46C407001	79,644
Shelter Plus Care	14.238	MN46C5K010801	110,030
Shelter Plus Care	14.238	MN46C607007	(4,931)
Shelter Plus Care	14.238	MN46C707007	32,796
Shelter Plus Care	14.238	MN46C701023	177,537
Shelter Plus Care	14.238	MN46C700035	372,868
Total CFDA #14.238			\$ 2,409,297
Public and Indian Housing	14.850	OFND MN16300000109D	296,004
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163AF	48,856,892
CFP Cluster			
Public Housing Capital Fund	14.872	CFP MN46P16350109	167,591
Public Housing Capital Fund Stimulus (Formula)			
Recovery Act Funded -- ARRA	14.885	CFRG MN46S16350109	212,106
Passed Through City of Minneapolis			
Housing Opportunities for Persons with AIDS	14.241	C-23762 #1 & #2	423,890
Total U.S. Department of Housing and Urban Development			\$ 52,365,780
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Highway Planning and Construction			
Congestion Mitigation/Air Quality (CMAQ)			
2009 Section 5307	20.205	95122	\$ 32,694
Federal Transit Cluster			
Federal Transit Capital Investment Grants			
2002 Section 5309	20.500	MN-03-0057	\$ (4,851)
2000 Section 5309	20.500	MN-03-0066	(844,522)
2003 Section 5309	20.500	MN-03-0085	(12,452)
2003 Section 5309	20.500	MN-03-0086	10,116
2000 Section 5309	20.500	MN-03-0087	3,261
2002 - 2005 Section 5309	20.500	MN-03-0097	(8,046)

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Federal Transit Cluster			
Federal Transit Capital Investment Grants (Continued)			
2003 Section 5309	20.500	MN-03-0104	(14)
2004 - 2005 Section 5309	20.500	MN-03-0105	283,499
2003 - 2004 Section 5309	20.500	MN-03-0106	1,553,285
2004 - 2005 Section 5309	20.500	MN-03-0123	2,923,749
2005 Section 5309	20.500	MN-03-0126	497,122
2006 Section 5309	20.500	MN-03-0200	2,208,702
2006 Section 5309	20.500	MN-04-0014	631,364
2006 Section 5309	20.500	MN-04-0015	518,270
2006 Section 5309	20.500	MN-04-0018	342,617
2006 Section 5309	20.500	MN-05-0018	8,453,898
2007 Section 5309	20.500	MN-04-0012	63,162,788
2007 - 2008 Section 5309	20.500	MN-04-0026	5,427
Grant program title not available	20.500	87194CFMS	32,632
Total CFDA #20.500			\$ 79,756,845
Federal Transit Formula Grants			
2000 Section 5307	20.507	MN-90-X128	\$ 584
2001 Section 5307	20.507	MN-90-X159	75
2002 Section 5307	20.507	MN-90-X164	287,746
2002 Section 5307	20.507	MN-90-X172-00	9,642
2002 Section 5307	20.507	MN-90-X176	87,108
2002 Section 5307	20.507	MN-90-X177	314,348
2003 Section 5307	20.507	MN-90-X185	75,376
2000 Section 5307	20.507	MN-90-X189	1,040,284
2002 - 2003 Section 5307	20.507	MN-90-X190	114,090
2004 Section 5307	20.507	MN-90-X199	38,210
2003 Section 5307	20.507	MN-90-X204	51,689
2004 Section 5307	20.507	MN-90-X208	542,079
2003 - 2005 Section 5307	20.507	MN-90-X215	905,602
2005 Section 5307	20.507	MN-90-X224	(39,123)
2006 Section 5307	20.507	MN-90-X226	92,791
2006 Section 5307	20.507	MN-90-X230	919
2006 Section 5307	20.507	MN-90-X235	642,244
2006 Section 5307	20.507	MN-90-X238	901,593
2007 Section 5307	20.507	MN-90-X242	126,689
2007 - 2008 Section 5307	20.507	MN-90-X249	8,075,414
2007 - 2008 Section 5307	20.507	MN-90-X260	9,800,650
2007 Section 5307	20.507	MN-90-X001	2,349,225
2007 Section 5307	20.507	MN-95-X002	106,776

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Direct			
Federal Transit Administration			
Federal Transit Cluster			
Federal Transit Formula Grants (Continued)			
2008 Section 5307	20.507	MN-95-X006	2,765,930
2008 Section 5307	20.507	MN-95-X007	2,925,671
2008 Section 5307	20.507	MN-95-X010	215,905
2008 Section 5307	20.507	MN-95-X011	5,775,000
2007 Section 5307	20.507	MN-95-X001-00	58,139
2006 Section 5307	20.507	MN-90-241	900,244
2007 - 2008 Section 5307	20.507	MN-90-250	1,978,097
Total CFDA #20.507			\$ 40,142,997
Federal Transit Formula Grants -- ARRA			
2009 Section 5307	20.507	MN-90-241	\$ 5,005,274
2009 Section 5307	20.507	MN-90-250	5,439,413
2009 Section 5307	20.507	MN-96-X009	17,659,448
2009 Section 5307	20.507	MN-96-002	1,747,459
Total CFDA #20.507 -- ARRA			\$ 29,851,594
Transit Services Programs Cluster			
Job Access/Reverse Commute (JA/RC)			
2002 Section 5307	20.516	MN-37-X006	\$ 132,909
2006 - 2007 JA/RC New Freedom	20.516	MN-57-002	585,604
2009 Section 5307	20.516	MN-37-012	74,913
2006 Section 5307	20.516	MN-37-011	319,175
2006 Section 5307	20.516	MN-37-011	368,015
Total CFDA #20.516			\$ 1,480,616
New Freedom Program			
2006 - 2007 New Freedom	20.521	MN-57-002	\$ 95,313

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Department of Transportation Airport Improvement Program Federal Aviation Administration Aviation Study 2008	20.106	92811	\$ <u>198,841</u>
Highway Planning and Construction Needs Analysis of Bicycle and Pedestrian Connections Planning 2008 Section 5303	20.205	93983	\$ <u>3,095,833</u>
Federal Transit Cluster Federal Transit Formula Grants Northstar Commuter Rail Funding Grant	20.507	MN-03-X201	\$ <u>2,342,509</u>
Total U.S. Department of Transportation			\$ <u>156,997,242</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Public Facilities Authority Capitalization Grants for Clean Water - State Revolving Funds Cluster Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-07-0019-R-FY08	\$ 6,857,946
State Revolving Funds	66.458	MPFA-08-0098-R-FY10	11,407,856
State Revolving Funds	66.458	MPFA-08-0099-R-FY10	<u>18,846,851</u>
Total CFDA #66.458			\$ <u>37,112,653</u>
Capitalization Grants for Clean Water State Revolving Funds -- ARRA	66.458	ARRA-09-0098-R-FY10	<u>8,717,738</u>
Total U.S. Environmental Protection Agency			\$ <u>45,830,391</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Rail and Transit Security Grant Program	97.075	2006-RL-T6-006	\$ <u>349,603</u>
Total Federal Awards			\$ <u>255,543,016</u>

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Metropolitan Council. The Council'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 the Metropolitan Council under programs of the federal government for the year ended December 31, 2009. 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 the Metropolitan Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Metropolitan Council.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the Metropolitan Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. 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.

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

4. Subrecipients

Of the expenditures presented in the schedule, the Metropolitan Council provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.500	Federal Transit Capital Investment Grants	\$ 35,838,389
20.507	Federal Transit Formula Grants	975,352
20.516	Jobs Access/Reverse Commute	452,084
	Total	<u>\$ 37,265,825</u>

5. 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.