METROPOLITAN TRANSIT COMMISSION
560-6th Avenue North, Minneapolis, Minnesota 55411-4398 612/349-7400

May 1, 1990

Secretary of State
Room 180, State Office Building
St. Paul, Minnesota 55155

Dear Sir or Madam:

Enclosed is the Metropolitan Transit Commission's Financial Statement for 1989. Please let me know if further information is necessary.

Sincerely,

Robert D. Thompson

Robert D. Thompson
Director of Finance

RDT:ps

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
MAY 9 - 1990
Joan Anderson Growe
Secretary of State

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Deloitte & Touche

METROPOLITAN TRANSIT COMMISSION

Financial Statements and Additional Information for the Years ended December 31, 1989 and 1988 and Independent Auditors' Report

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Financial Statements and Additional Information for the
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METROPOLITAN TRANSIT COMMISSION

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Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the accompanying financial statements of Metropolitan Transit Commission as of December 31, 1989 and 1988, and for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Metropolitan Transit Commission as of December 31, 1989 and 1988, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Metropolitan Transit Commission taken as a whole. The accompanying supplemental schedules of federal financial assistance for the year ended December 31, 1989 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche

April 6, 1990

METROPOLITAN TRANSIT COMMISSION

BALANCE SHEETS

ASSETS

	December 31 1989	December 31 1988
CURRENT ASSETS:		
Cash and short-term investments (Note B)	$ 8,467,000	$ 8,416,000
Accounts receivable, less allowance for doubtful accounts of $35,000 and $84,000 at December 31, 1989 and 1988, respectively	2,317,000	1,885,000
Due from the Regional Transit Board (Note C)	17,453,000	16,745,000
Due from federal government (Note D)	7,420,000	7,496,000
Materials and supplies	4,539,000	4,141,000
Prepaid expenses and other current assets	287,000	154,000
TOTAL CURRENT ASSETS	40,483,000	38,837,000
RESTRICTED ASSETS:		
Debt service:		
Short-term investments (Note B)	6,006,000	6,342,000
Receivables	2,000	161,000
Capital acquisitions:		
Short-term investments (Note B)	14,578,000	21,320,000
Receivables	1,297,000	648,000
TOTAL RESTRICTED ASSETS	21,883,000	28,471,000
PROPERTY, PLANT AND EQUIPMENT (Note E)	133,805,000	120,577,000
	$196,171,000	$187,885,000

LIABILITIES AND EQUITY

	December 31 1989	December 31 1988
CURRENT LIABILITIES:		
Accounts payable	$ 4,481,000	$ 2,513,000
Accrued payroll liabilities	7,295,000	6,626,000
Accrued interest	299,000	577,000
Accrued injury, damage and health claims (Note H)	14,731,000	14,221,000
Other liabilities	1,028,000	918,000
Current maturities of long-term debt	1,700,000	2,690,000
TOTAL CURRENT LIABILITIES	29,534,000	27,545,000
LONG-TERM DEBT (Note F)	9,250,000	10,950,000
OTHER LONG-TERM LIABILITIES	781,000	607,000
EQUITY:		
Contributed capital	100,289,000	92,890,000
Retained earnings:		
Restricted for debt service	5,365,000	5,925,000
Invested in or committed to property, plant and equipment	35,952,000	34,968,000
Available for working capital	15,000,000	15,000,000
TOTAL EQUITY	156,606,000	148,783,000
	$196,171,000	$187,885,000

See notes to financial statements.

METROPOLITAN TRANSIT COMMISSION

STATEMENTS OF OPERATIONS

	Year ended December 31	
	1989	1988
OPERATING REVENUES:		
Passenger fares	$ 30,749,000	$ 31,151,000
Contract fares	1,316,000	1,509,000
Advertising	718,000	656,000
TOTAL OPERATING REVENUES	32,783,000	33,316,000
OPERATING EXPENSES:		
Labor	57,511,000	56,017,000
Fringe benefits	23,696,000	21,951,000
Materials and supplies	11,314,000	9,885,000
Workers' compensation, claims and insurance	6,390,000	5,730,000
Professional and technical services	2,733,000	2,596,000
Utilities	1,710,000	1,735,000
Leases and rentals	441,000	285,000
Purchased transportation services	177,000	129,000
Advertising and promotion	911,000	888,000
Miscellaneous	657,000	551,000
TOTAL OPERATING EXPENSES	105,540,000	99,767,000
OPERATING LOSS BEFORE DEPRECIATION	(72,757,000)	(66,451,000)
DEPRECIATION	12,640,000	10,235,000
OPERATING LOSS	(85,397,000)	(76,686,000)
NON-OPERATING REVENUES (EXPENSES):		
Regional Transit Board allocation:		
Transit operating subsidies (Note C)	63,214,000	57,621,000
Debt service (Note F)	2,531,000	4,181,000
Local bonding (Note F)		17,000,000
Federal grants	7,434,000	7,505,000
Interest income	3,014,000	2,311,000
Interest expense	(1,221,000)	(1,546,000)
Other	1,308,000	1,151,000
TOTAL NON-OPERATING REVENUES	76,280,000	88,223,000
REVENUES IN EXCESS OF (LESS THAN) EXPENSES	($ 9,117,000)	$ 11,537,000

See notes to financial statements.

METROPOLITAN TRANSIT COMMISSION

STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED CAPITAL

	Retained earnings	Contributed capital
BALANCES AT DECEMBER 31, 1987	$ 36,576,000	$ 87,146,000
Revenues in excess of expenses	11,537,000	
Capital grants		13,524,000
Depreciation on contributed improvements	7,780,000	(7,780,000)
BALANCES AT DECEMBER 31, 1988	55,893,000	92,890,000
Revenues less than expenses	(9,117,000)	
Capital grants		16,940,000
Depreciation on contributed improvements	9,541,000	(9,541,000)
BALANCES AT DECEMBER 31, 1989	$ 56,317,000	$100,289,000

See notes to financial statements.

METROPOLITAN TRANSIT COMMISSION

STATEMENTS OF CASH FLOWS

	Year ended December 31 1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDING NON-OPERATING REVENUES:		
Revenues in excess of (less than) expenses	($ 9,117,000)	$11,537,000
Adjustments to reconcile revenues in excess of (less than) expenses to net cash provided by operating activities including non-operating revenues:		
Depreciation	12,640,000	10,235,000
Increase in:		
Receivables, net of allowance for doubtful accounts	(1,064,000)	(683,000)
Materials and supplies	(398,000)	(307,000)
Prepaid expenses and other current assets	(133,000)	(73,000)
Increase (decrease) in:		
Accounts payable	1,968,000	(1,035,000)
Accrued liabilities	1,011,000	1,016,000
Increase in other long-term liabilities	174,000	397,000
NET CASH PROVIDED BY OPERATING ACTIVITIES INCLUDING NON-OPERATING REVENUES	5,081,000	21,087,000
CASH FLOWS FROM INVESTING ACTIVITIES - Additions to property	(25,868,000)	(17,713,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions	16,940,000	13,524,000
Payments on long-term debt	(2,690,000)	(2,691,000)
Decrease (increase) in restricted assets	6,588,000	(14,336,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	20,838,000	(3,503,000)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	51,000	(129,000)
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR	8,416,000	8,545,000
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	$ 8,467,000	$ 8,416,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - Interest paid	$ 1,051,000	$ 1,638,000

See notes to financial statements.

METROPOLITAN TRANSIT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1989 AND 1988

A. Summary of significant accounting policies:

Organization:

The Metropolitan Transit Commission (the Commission) was established in 1967 to develop, maintain and operate a public mass transit transportation system for the benefit of the inhabitants of the Minneapolis - Saint Paul metropolitan area. In 1984, the Minnesota Legislature created a Regional Transit Board (RTB) to coordinate the provision of essential transportation services within the metropolitan area. The RTB assumed most of the planning and policy-making functions of the Commission as well as the ability to levy taxes.

The Commission contracts with ATE Management and Service Co., Inc. (ATE), a Delaware corporation, for the management and supervision of the conduct and operation of all the Commission public transportation systems, as permitted by Section 473.405, subdivision 2, Minnesota Statutes. The present one-year contract with ATE expires on December 31, 1990.

Capital grants:

The Commission receives grant funds from the Urban Mass Transportation Administration (UMTA) for some of its capital acquisitions. The receivable for these capital grants and the related contributed capital are recorded when eligible expenditures are incurred on projects funded by such grants. Assets acquired in connection with capital grants are included in property, plant and equipment costs. These grants require a local funding match by the Commission at a stipulated percentage of total project costs.

Debt service:

Property taxes relating to debt service are recorded as revenue in the year in which the taxes constitute a lien on the property.

Property:

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives as follows: buildings - 35 to 45 years; buses - 7 to 12 years and other equipment - 3 to 14 years.

Depreciation and amortization of assets acquired under federal capital grants are expensed in the statements of operations and then recorded to contributed capital in accordance with the provisions of the Governmental Accounting Standards Board Statement 1.

Gains on the sale of depreciation through tax leases are deferred and amortized over the useful lives of the related assets using the straight-line method.

Material and supplies:

Material and supplies are stated at cost using the weighted average costing method.

Cash and short-term investments:

Cash and short-term investments include cash on hand, cash in banks, money market funds and commercial paper with a maturity of three months or less.

B. Cash and short-term investments:

Deposits:

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks authorized by resolution of the Commission, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

At December 31, 1989, the carrying amount of the Commission's combined demand deposits was $118,000. The combined bank statement balances were $2,403,000. Of the bank statement balances, $128,000 was covered by federal depository insurance and $2,275,000 was covered by collateral held in the Commission's name at the Federal Reserve Bank of Minneapolis.

Short-term investments:

Minnesota Statutes permit the Commission to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, prime commercial paper, bankers' acceptances, money market funds, state and local bonds, futures contracts and repurchase agreements.

The Commission's investments at December 31, 1989, are categorized to give an indication of the level of risk assumed by the Commission at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission, or its agent in the Commission's name. All of the Commission's investments are held in a custodial account, in the Commission's name, by the trust department of the Commission's primary bank. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Commission's name.

Investments at December 31, 1989 (all Category 1) consist of:

	Carrying amount	Market value
U.S. Government Obligations	$ 60,000	$ 64,000
Commercial paper	25,758,000	25,758,000
Money market funds	2,910,000	2,910,000
Total investments	$28,728,000	$28,732,000

C. RTB transit operating subsidies:

The RTB levies taxes for transit operations in the metropolitan area and receives state operating subsidies. The RTB contracts with the Commission for the operation of several non-traditional transit programs (Minnesota Rideshare and the Metro Mobility Administrative Center). Allocations from the RTB, regardless of origin, have been recorded as RTB "transit operating subsidies" in the period when earned.

For 1989 and 1988, the RTB subsidized the Commission's operations to the extent required to reach a December 31 retained earnings available for working capital balance of $15,000,000, subject to a maximum subsidy of $63,652,000 and $58,428,000 for 1989 and 1988, respectively. The maximum subsidies are based on the Commission incurring certain levels of expenditures on projects. To the extent these levels are not incurred, the maximum subsidy is reduced.

D. Federal operating assistance grants:

Operating assistance grants have been made available to the Commission under Section 9 of the Urban Mass Transportation Act of 1964, as amended. These grants are recorded as non-operating revenue in the year in which the grant is applicable and the related reimbursable expenditure is incurred. Funds are apportioned on an annual basis.

On April 6, 1990, the Commission received notification from UMTA of a Section 9 grant award relating to operations for the fiscal year ended December 31, 1989. Grant awards of $7,406,000 and $7,475,000 are included in federal grant revenues for the years ended December 31, 1989 and 1988, respectively.

E. Property, plant and equipment:

Property, plant and equipment consists of the following:

	December 31 1989	December 31 1988
Land and buildings	$ 71,861,000	$ 70,489,000
Buses	114,392,000	106,289,000
Other equipment, furniture and fixtures	18,657,000	13,451,000
Capital projects in progress	4,315,000	2,538,000
	209,225,000	192,767,000
Less accumulated depreciation	75,420,000	72,190,000
	$133,805,000	$120,577,000

At December 31, 1989, the Commission had commitments of $33,156,000 for the purchase of 208 buses, $7,233,000 for the Nicollet Garage construction and $1,301,000 for the purchase of other assets. Some of these assets will be funded through UMTA's capital grant program.

F. Debt:

Long-term debt consists of general obligation bonds and certificates of indebtedness as follows:

Issue date	Final maturity date	Net interest rate	December 31 1989	December 31 1988
9/1/79	2/1/98	5.58%	$ 3,700,000	$ 4,200,000
11/1/82	2/1/89	8.49%		990,000
6/1/85	2/1/95	7.34%	7,250,000	8,450,000
			10,950,000	13,640,000
Less current portion			1,700,000	2,690,000
			$ 9,250,000	$10,950,000

Paying agents for the bonds and certificates are as follows:

Issue date	Paying agent
9/1/79	First Bank Saint Paul
11/1/82	American National Bank and Trust of Chicago
6/1/85	The First Bank Trust Corporation

All bonds and certificates mature serially. The 1985 issue may be prepaid beginning in 1991 for bonds maturing in 1992 and thereafter. The 1979 issue cannot be redeemed prior to maturity. All long-term debt is payable, both as to principal and interest, from the proceeds of taxes levied by the RTB on all taxable property within the Metropolitan Transit Taxing District.

In 1986, Minnesota Statutes transferred the Commission's bonding authority to the Metropolitan Council (the Council). The Council may, at the request of the RTB and subject to state legislative bonding authority limits, issue debt (new or refunding) on behalf of the Commission and such debt is the legal obligation of the Council only.

On March 24, 1987, the Council sold refunding bonds on behalf of the Commission for the defeasance of the 1982 issue maturing in 1990 and thereafter in the amount of $5,600,000. The proceeds used for the refunding were deposited in an escrow account to purchase guaranteed obligations of the United States, the principal and interest on which is sufficient to pay all future principal and interest of the bonds being refunded. As a result, the aforementioned issue has been removed from long-term debt.

On May 10, 1988 the Council sold $17,000,000 of general obligation certificates of indebtedness. The proceeds of this issue were turned over to the Commission for the purpose of funding the 1988-1989 capital program of the Commission. The certificates are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. The certificates have a permitted yield cap under the provisions of this act of 6.605%. Any earnings in excess of this yield is arbitrage and subject to rebate. At December 31, 1989 the excess earnings were $562,000. This amount is included in other long-term liabilities. According to the Internal Revenue Code, the excess earnings are to be remitted to the United States Government at the Internal Revenue Service Center not more than five years following the "Issue Date". The "Issue Date" for this purpose is June 14, 1988, which was the settlement date of the bonds.

On March 22, 1990, the Council sold $26,000,000 of general obligation certificates of indebtedness. The proceeds of this issue were turned over to the Commission.

Long-term debt maturities will be as follows:

Years ending December 31:	
1990	$ 1,700,000
1991	1,700,000
1992	1,700,000
1993	1,600,000
1994	1,600,000
Thereafter	2,650,000
	$10,950,000

G. Post-employment benefits:

Pension Plan description:

Substantially all full-time and part-time employees and all Amalgamated Transit Union (ATU) officials are covered by a defined benefit plan administered by the Minnesota State Retirement System (MSRS). The MSRS administers the General Employee Plan (the Plan) which is a cost-sharing, multiple employer public employee retirement system. The payroll for Commission employees and ATU officials covered by the MSRS plan for the years ended December 31, 1989 and 1988 was $65,616,000 and $63,472,000, respectively. The Commission's total payroll was $65,871,000 and $63,704,000 for the years ended December 31, 1989 and 1988, respectively.

Substantially all full-time and part-time employees and all ATU officials are required to participate in the Plan. The Plan provides pension benefits, deferred annuity and death and disability benefits. Benefits are established by state statute.

Plan member retirement benefits are computed in two different ways and a plan member will receive the higher of the computed amounts. Both methods utilize the average of the five highest successive years of covered salary multiplied by a percentage factor based on length of service.

A plan member first employed before July 1, 1989 is eligible to use the Step Formula method. This method uses the "Rule of 90" which allows early retirement without benefit reduction if a member's age and length of service totals at least 90. The length of service percentage factor for this method is 1% per year for the first ten years of allowable service and 1.5% per year (or 0.125% per month) thereafter. If a member does not qualify for the "Rule of 90" an early retirement reduction factor of 3% per year (or 0.25% per month) for each year of retirement age under 65, or age 62 if a member has at least 30 years of service, is applied to their annuity. The "normal retirement age" for a plan member in this group is age 65.

A plan member first employed after June 30, 1989 will receive benefits using a level formula length of service percentage factor of 1.5% for each year of service (or 0.125% per month). The early retirement reduction factor under this method is an actuarial reduction. The normal retirement age under this method is the same as under Social Security. If a plan member was born before 1938 it is age 65, if a plan member was born after 1937, normal retirement age gradually increases to age 67 (for those born after 1960).

A reduced retirement annuity may begin as early as age 55 with at least three years of allowable service credit, or at any age with at least 30 years of service credit.

Pension provisions include a deferred annuity. A member who terminates public service with three or more years of allowable service credit may leave this amount in the fund to qualify for an annuity at retirement age. The annuity as determined by the formula will increase at the rate of 3% compounded annually from the member termination date until age 55, and thereafter at 5% compounded annually until payment starts.

Pension provisions include various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined as defined by the plan.

Contributions required and made:

Covered employees are required by state statute to contribute fixed percentages of their gross earnings to the pension plan. The Commission makes contributions to the pension plan equal to the amount required by state statutes. Current contribution rates for the plan are as follows:

	Employee	Employer
General Employee Plan of MSRS	4.34%	4.51%

Total contributions made during 1989 amounted to $5,379,000, of which $2,745,000 was made by the Commission and $2,634,000 was made by the employees. Total contributions made during 1988 amounted to $4,844,000, of which $2,476,000 was made by the Commission and $2,368,000 was made by the employees.

Funding status and progress:

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among Public Employee Retirement Systems (PERS) and employers. The MSRS does not make separate measurements of assets and pension benefit obligations for individual employers like the Commission.

The pension benefit obligations of the Plan as of June 30, 1989 were as follows:

Total pension benefit obligations	$2,109,272,000
Net assets available for benefits, at market	1,965,794,000
Unfunded pension benefit obligation	$ 143,478,000

The actuarial calculations of annual contributions include amounts that would be required to achieve full (100%) funding by July 1, 2020.

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1989. Net assets available to pay pension benefits were valued as of June 30, 1989.

The Commission's contribution to the Plan for the years ended June 30, 1989 and 1988 represented about 5.5% and 5.8%, respectively, of total contributions required of all participating entities.

Ten year historical information is presented in MSRS's State PERS Comprehensive Annual Financial Report for the year ended June 30, 1989. This information is useful in assessing the Plan's accumulation of sufficient assets to pay pension benefits as they become due.

In addition to providing pension benefits, the Commission provides certain health care and life insurance benefits for retired employees in accordance with Minnesota Statutes, Chapter 471. Substantially all of the Commission's employees become eligible for those benefits if they reach normal retirement age while working for the Commission. The Commission recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were $598,000 and $593,000 for 1989 and 1988, respectively, when due.

H. Contingent liabilities:

Federal and state grants:

Expenditures financed by grants received from UMTA are subject to audit by UMTA, and grants received from the State of Minnesota are subject to audit by the State for compliance with conditions of the grants. The grantors retain their interest in assets acquired with grant funds should they be disposed of prior to the end of their economic lives or not be used for mass transit.

Insurance claims:

The Commission is self-insured for workers' compensation claims. There is a Self Insurance Retention (SIR) limit with the Workers' Compensation Reinsurance Association, which in 1989 was $390,000 per loss occurrence. Workers' compensation expense was $4,313,000 and $5,290,000 in 1989 and 1988, respectively, and is included in workers' compensation, claims and insurance expense. A reserve has been established for workers' compensation claims and represents the Commission's estimated liability at December 31, 1989 and 1988. The reserve has been discounted at December 31, 1989 and 1988 using a rate of 7% and 5%, respectively.

Since April 1, 1986, the Commission has been fully self-insured for personal injury and property damage claims. Prior to April 1, 1986, the Commission was self-insured for up to $300,000 per occurrence. The Commission qualifies as a "municipality", subject to the liability limits established in Chapter 466 of the Minnesota Statutes which provides that the Commission's liability shall not exceed $200,000 per claim or $600,000 per occurrence. A reserve has been established for personal injury and property damage claims and represents the Commission's estimated liability at December 31, 1989 and 1988.

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

METROPOLITAN TRANSIT COMMISSION

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 1989

GRANT DESCRIPTION		Year ended December 31, 1989			Cumulative as of December 31, 1989		
	Grant number	Expenditures	Funded by local sources	Federal financial assistance	Total expenditures	Total funded by local sources	Total federal financial assistance
URBAN MASS TRANSPORTATION ADMINISTRATION OPERATING ASSISTANCE GRANTS (CFDA No. 20.507):							
Direct grants:							
Operating assistance	Section 9	$ 7,406,114		$ 7,406,114	$7,406,114		$7,406,114
Bus monitoring assistance	MN-09-7004	21,933	$ 4,386	17,547	351,310	$ 70,262	281,048
Rideshare program	MN-03-4003	9,903	2,476	7,427	170,865	43,717	127,148
Total direct grants		7,437,950	6,862	7,431,088	7,928,289	113,979	7,814,310
Pass through Metropolitan Council - Unified Planning Work Program	MN-08-0056	3,150	630	2,520	28,800	5,760	23,040
Total pass through		3,150	630	2,520	28,800	5,760	23,040
TOTAL CAPITAL AND OPERATING ASSISTANCE		7,441,100	7,492	7,433,608	$7,957,089	$119,739	$7,837,350
URBAN MASS TRANSPORTATION ADMINISTRATION CAPITAL IMPROVEMENT GRANTS (CFDA No. 20.500) - Direct grants detailed on pages 16-17		22,793,218	5,853,599	16,939,619			
TOTAL FEDERAL FINANCIAL ASSISTANCE		$30,234,318	$5,861,091	$24,373,227			

METROPOLITAN TRANSIT COMMISSION

SCHEDULES OF FEDERAL FINANCIAL ASSISTANCE

URBAN MASS TRANSPORTATION ADMINISTRATION

CAPITAL IMPROVEMENT GRANTS (CFDA NO. 20.500)

YEAR ENDED DECEMBER 31, 1989

	Shingle Crk Garage MN-03-0016	83 Transit improvements MN-05-0011	84 SEC 9 MN-90-0008-1	85 SEC 9 MN-90-0013	86 SEC 9 MN-90-0020-1	87 SEC 9 MN-09-X026	87 SEC 23 MN-23-2004
1989 TYPE OF ASSISTANCE:							
1989 expenditures:							
Labor		$ 1,345	$ 1,633	$ 27,678	$ 1,735	$ 35,729	
Construction			12,817	5,933	28,844		
Equipment	$ 29,266	11,897	101,763	24,990	463,647	12,064,019	$6,500,508
Equipment renovation							
Professional services			8,268		6,255	530	41,583
Real estate acquisition							
Indirect costs		1,248	1,559	11,957	1,570	24,613	
Miscellaneous			8				12,970
Total 1989 expenditures	29,266	14,490	126,048	70,558	502,051	12,124,891	6,555,061
Funded by local sources	5,853	2,898	25,210	14,112	100,410	3,224,332	1,638,765
1989 FEDERAL FINANCIAL ASSISTANCE	$ 23,413	$ 11,592	$ 100,838	$ 56,446	$ 401,641	$ 8,900,559	$4,916,296
CUMULATIVE TOTALS:							
Total expenditures as of December 31, 1989	$3,367,779	$4,370,100	$10,955,409	$10,292,553	$12,517,928	$15,636,829	$6,555,613
Funded by local sources	673,556	874,020	2,191,082	2,058,511	2,503,586	4,158,250	1,638,903
Total federal financial assistance as of December 31, 1989	$2,694,223	$3,496,080	$ 8,764,327	$ 8,234,042	$10,014,342	$11,478,579	$4,916,710
GRANT AWARD AMOUNT	$2,714,812	$3,561,013	$ 9,323,080	$ 8,538,112	$10,678,524	$11,961,646	$5,000,000

METROPOLITAN TRANSIT COMMISSION

SCHEDULES OF FEDERAL FINANCIAL ASSISTANCE

URBAN MASS TRANSPORTATION ADMINISTRATION

CAPITAL IMPROVEMENT GRANTS (CFDA NO. 20.500) (CONTINUED)

YEAR ENDED DECEMBER 31, 1989

	Rehab of nine buses MN-23-2003	88 SEC 3 MN-03-0037	88 SEC 9 MN-90-X031	88 SEC 23 MN-23-2005	89 SEC 9 MN-90-X038	79 Transit improvements MN-05-0003	Totals
1989 TYPE OF ASSISTANCE:							
1989 expenditures:							
Labor		$ 22,050	$ 2,279			$ 3,713	$ 96,162
Construction		1,702,712					1,750,306
Equipment		571,501		$ 859	$ 398	606	19,769,454
Equipment renovation	$ 63,976						63,976
Professional services		20,555	2,069				79,260
Real estate acquisition		949,250					949,250
Indirect costs		21,700	2,968			3,882	69,497
Miscellaneous		36	2,299				15,313
Total 1989 expenditures	63,976	3,287,804	9,615	859	398	8,201	22,793,218
Funded by local sources	15,994	821,951	1,923	430	80	1,641	5,853,599
1989 FEDERAL FINANCIAL ASSISTANCE	$ 47,982	$2,465,853	$ 7,692	$ 429	$ 318	$ 6,560	$16,939,619
CUMULATIVE TOTALS:							
Total expenditures as of December 31, 1989	$1,362,227	$3,747,935	$ 12,869	$ 859	$ 398	$ 633,899	$69,454,398
Funded by local sources	340,557	936,984	2,574	430	80	126,780	15,505,313
Total federal financial assistance as of December 31, 1989	$1,021,670	$2,810,951	$ 10,295	$ 429	$ 318	$ 507,119	$53,949,085
GRANT AWARD AMOUNT	$1,143,000	$8,397,000	$7,795,920	$2,786,000	$6,277,476	$1,654,520	$79,831,103

INDEPENDENT AUDITORS' COMPLIANCE REPORT
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the basic financial statements of the Metropolitan Transit Commission as of December 31, 1989 and for the year then ended, and have issued our report thereon dated April 6, 1990.

We conducted our audit in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Metropolitan Transit Commission is the responsibility of management of the Metropolitan Transit Commission. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Commission complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Commission had not complied, in all material respects, with those provisions.

The Minnesota Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness and claims and disbursements. The results of our tests indicate that for the items tested, the Commission complied with the material terms and conditions of applicable legal provisions, except for the finding related to contracting and bidding as specified in the accompanying schedule of finding. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the Commission had not complied with such legal provisions.

This report is intended for the information of management, officials of the State of Minnesota and the U. S. Department of Transportation. This restriction is not intended to limit the distribution of this report which, on acceptance by the Metropolitan Transit Commission, is a matter of public record.

Deloitte & Touche

April 6, 1990

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the Metropolitan Transit Commission's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1989. The management of the Metropolitan Transit Commission is responsible for the Commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States and Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Metropolitan Transit Commission's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Commission complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended December 31, 1989.

Deloitte & Touche

April 6, 1990

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH GENERAL REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Metropolitan Transit Commission
Minneapolis, Minnesota

We have applied procedures to test the Metropolitan Transit Commission's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended December 31, 1989:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports

Our procedures were limited to the applicable procedures described in Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Metropolitan Transit Commission's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Metropolitan Transit Commission had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the U.S. Department of Transportation. This restriction is not intended to limit the distribution of this report which, on acceptance by the Metropolitan Transit Commission, is a matter of public record.

Deloitte & Touche

April 6, 1990

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the basic financial statements of the Metropolitan Transit Commission as of and for the year ended December 31, 1989, and have issued our report thereon dated April 6, 1990.

We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

In planning and performing our audit of the basic financial statements of the Metropolitan Transit Commission for the year ended December 31, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

The management of the Metropolitan Transit Commission is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Revenues
- Cash receipts
- Cash disbursements
- Payrolls
- Receivables
- Payables
- Property and equipment
- General ledger

Our consideration of the internal control structure included all of the control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the basic financial statements.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation in the basic 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the U.S. Department of Transportation. This restriction is not intended to limit the distribution of this report which, on acceptance by the Metropolitan Transit Commission, is a matter of public record.

Deloitte & Touche

April 6, 1990

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE) - BASED ON A STUDY AND EVALUATION MADE AS PART OF AN AUDIT OF THE BASIC FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the basic financial statements of the Metropolitan Transit Commission for the year ended December 31, 1989, and have issued our report thereon dated April 6, 1990. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984 and the provision of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting controls:

- Revenues
- Cash receipts
- Cash disbursements
- Payrolls
- Receivables
- Payables
- Property and equipment
- General ledger

Controls used in administering federal programs:

General requirements:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports

Specific requirements:

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort or earmarking
- Reporting
- Claims for advances and reimbursements
- Amounts claimed or used for matching that are applicble to each of its major federal financial assistance programs

The management of the Metropolitan Transit Commission is responsible for establishing and maintaining the internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1989, the Commission expended 100% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Commission. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Commission. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Commission.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the Commission.

This report is intended for the information of management and the U.S. Department of Transportation. This restriction is not intended to limit the distribution of this report which, on acceptance by the Metropolitan Transit Commission, is a matter of public record.

Deloitte & Touche

April 6, 1990

METROPOLITAN TRANSIT COMMISSION

SCHEDULE OF FINDING

YEAR ENDED DECEMBER 31, 1989

Current year finding and status of prior year finding:

Minnesota Statutes relating to contracting and bidding require the Commission to comply with certain bidding requirements in contracting for or renewing group insurance. The requirements include soliciting bids in the open market at least every four years. We noted at December 31, 1989 and 1988 that the Commission had not solicited bids for their group insurance within the required time frame. We have been informed that the Commission has sent requests for proposals to interested vendors. A contract is expected to be executed and in effect by July 1, 1990.