

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, 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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**METROPOLITAN COUNCIL OF
THE TWIN CITIES AREA**

Year Ended December 31, 2014



Management and Compliance Report

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

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

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? **Yes**
- Significant deficiencies identified? **No**

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

Federal Awards

Internal control over major programs:

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

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? **Yes**

The major programs are:

| | |
|--|--------------|
| Federal Transit Cluster | |
| Federal Transit Capital Investment Grants | CFDA #20.500 |
| Federal Transit Formula Grants | CFDA #20.507 |
| State of Good Repair Grants Program | CFDA #20.525 |
| Bus and Bus Facilities Formula Program | CFDA #20.526 |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | CFDA #20.505 |
| National Infrastructure Investments | CFDA #20.933 |
| Capitalization Grants for Clean Water State Revolving Funds | CFDA #66.458 |

The threshold for distinguishing between Types A and B programs was \$3,000,000.

The Metropolitan Council qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-001

Audit Adjustment

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

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

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

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- State intergovernmental revenues and due from other governments in the Metro Mobility Special Revenue Fund were increased by \$23,524,000. The accrual had not been included in the general ledger.
- Depreciation expense and accumulated depreciation were increased by \$12,786,089 in the Metro Transit Light Rail Enterprise Fund. Metropolitan Council's asset management system had incorrectly calculated depreciation on a portion of current year additions.

Cause: In the Metro Mobility Special Revenue Fund, an accrual related to appropriations was missed when preparing information for financial statement presentation. In the Metro Transit Light Rail Enterprise Fund, the asset management system did not correctly depreciate all assets.

Recommendation: We recommend the Metropolitan Council review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements in a timely manner.

Client's Response:

The Finance staff missed the current year accrual for the financial statements in the Metro Mobility Special Revenue fund. The improved internal control for booking the state appropriations revenues will be centralized to one staff member for all funds and a review from the financial staff in each area to make sure entry is complete.

The Metro Transit Light Rail Enterprise fund had a significant volume of assets placed into service for the new METRO Green Line June 2014. Because of the volume of assets placed into service, a manual asset management system setup for asset transfers and offsetting fully depreciated assets from the METRO Blue line, we did not discover an issue with the depreciation of asset transfers until reconciling balances as part of our internal control process with closing of year end and January 2015 reconciliation of new assets and depreciation. The fixed asset system has been reviewed to resolve future depreciation issues and a monthly review process has been added to ensure the fixed asset system is correctly depreciating all assets.

ITEM ARISING THIS YEAR

Finding 2014-001

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. One indication of a weakness in internal control is restatement of previously issued financial statements to reflect the correction of misstatements due to error.

Condition: When analyzing current year capital asset additions for the Environmental Services Enterprise Fund, staff identified amounts that were expensed in the prior year which should have been capitalized.

Context: The need for prior period adjustments can raise doubts as to the reliability of the Metropolitan Council's financial information being presented.

Effect: The January 1, 2014, net position for the Environmental Services Enterprise Fund and business-type activities were restated (increased) by \$14,760,600 as a result of the error.

Cause: An error in interpreting data resulted in assets being expensed rather than capitalized.

Recommendation: We recommend the Metropolitan Council review its policies and procedures for the preparation of its financial statements to ensure that all amounts are properly reported in the financial statements.

Client's Response:

The Council utilizes a consultant to perform an analysis of fixed assets for the Environmental Services Enterprise Fund. During the preparation of fixed assets for the current year, we discovered a disconnect with the interpretation of the prior year analysis. The staff prepared additional analysis of the impact and determined a prior period adjustment would be necessary. The staff worked with the consultant to identify a better reporting format, which will eliminate this issue in future years.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2010-001

Subrecipient Monitoring

Program: U.S. Department of Transportation's Federal Transit Cluster - Federal Transit Capital Investment Grants (CFDA No. 20.500)

Pass-Through Agency: None

Criteria: OMB Circular A-133, Subpart D, § .400(d), identifies responsibilities for pass-through entities that provide federal awards to subrecipients. Included in these responsibilities are: (1) at the time of the award, identifying to the subrecipient the federal award information including the CFDA title and number, award name and number, award year, name of federal agency, and applicable compliance requirements; (2) monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers the federal award in compliance with federal requirements; and (3) ensuring that required audits are performed, if applicable, and requiring the subrecipient to take prompt corrective action on any audit findings.

Condition: The Metropolitan Council passed Federal Transit Cluster funding through to subrecipients including cities, counties, and other local units of government. There is a manual that provides guidance to staff and subrecipients regarding subrecipient monitoring and compliance. Additional guidance has been provided to staff regarding this requirement, and a subrecipient monitoring checklist has been established to help ensure that all aspects

of monitoring are being met. As part of monitoring subrecipients, the Metropolitan Council is required to issue management decisions on audit findings within six months after receiving the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on audit findings. During our testing, we noted one subrecipient audit report related to Metropolitan Transportation Services which was not reviewed within six months of receipt.

Questioned Costs: None.

Context: Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipients to review financial and programmatic records and observe operations, reviewing the subrecipient's single audit or program specific audit results, and evaluating audit findings and the subrecipient's corrective action plans.

Effect: The Metropolitan Council's ability to ensure that its subrecipients are administering federal awards in compliance with applicable federal requirements in a timely manner is diminished when controls are not followed.

Recommendation: We recommend the Metropolitan Council continue its efforts to strengthen controls to ensure compliance with subrecipient monitoring requirements.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

Marie Henderson, Controller

Heather Aagesen-Huebner, Manager, MTS Administration

Corrective Action Planned:

As noted, the Council continues to make progress in monitoring its subrecipients and has provided guidance to staff and subrecipients regarding monitoring and compliance. The review of subrecipient's audit reports and corrective action plans is a joint responsibility for division grant program managers and finance staff. Turnover of finance staff lead to reports not reviewed in a timely manner. Staff has now been hired and in place. Training has been completed with expectations of internal controls reviewed. In addition, future federal requirements establish a central repository for subrecipient audit reports allowing for direct access to reports (rather than searching subrecipient websites or requesting the document from subrecipients).

Anticipated Completion Date:

Complete - staff is now in place and have been trained on responsibilities for review and monitoring of subrecipient audit reports.

ITEM ARISING THIS YEAR

Finding 2014-002

Reporting - Review Process

Program: Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (CFDA No. 20.505)

Pass-Through Agency: Minnesota Department of Transportation (MnDOT)

Criteria: Standard internal control procedures should include a review and approval process to ensure reports submitted to MnDOT are accurate and meet reporting requirements.

Condition: During our testing of controls over reporting for the program, it was noted that the quarterly reports submitted to MnDOT lacked evidence of review and approval.

Questioned Costs: None.

Context: Because of the lack of evidence of review of the reports for the program, we performed a more detailed examination to ensure the data reported were accurate and complete.

Effect: The lack of review of reports increases the risk that reports submitted will not be correct.

Cause: Staff was aware of the need to maintain documentation of review and approval; however, with staff changes in the current year, the evidence was not maintained.

Recommendation: We recommend the Metropolitan Council document and maintain evidence of review of reports submitted to MnDOT.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Marie Henderson, Controller

Corrective Action Planned:

Reports were reviewed both prior to sending and at fiscal year-end. In the future evidence of this review will be retained in the documentation.

Anticipated Completion Date:

Completed.

PREVIOUSLY REPORTED ITEM RESOLVED

Reporting - Review Process (CFDA 66.458) (2013-002)

During our previous audit, we found that two of the three financial reports tested lacked evidence of review and approval.

Resolution

During the current year, documentation of review and approval was maintained.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Prompt Payment of Invoices (2013-003)

In the prior audit, 4 of the 50 invoices tested were not in compliance with Minn. Stat. § 471.425, which requires the Metropolitan Council to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later.

Resolution

In the current year, testing indicated the Metropolitan Council was in compliance with Minn. Stat. § 471.425.

Insufficient Collateral (2013-004)

At December 31, 2013, the Metropolitan Council had deposits at one institution that were not adequately covered by collateral, as required by Minn. Stat. § 118A.03, subds. 1 and 3.

Resolution

The results of collateral testing demonstrated that the Metropolitan Council had sufficient collateral during the current year.

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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

Council Members
Metropolitan Council of the Twin Cities Area

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 the Metropolitan Council of the Twin Cities Area, a component unit of the State of Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Metropolitan Council'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 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 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2014-001 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Council'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 six categories of compliance to be tested in connection with the audit of the Council's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Metropolitan Council 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 Council's noncompliance with the above referenced provisions.

Metropolitan Council's Response to Findings

The Metropolitan Council's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Council'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 Council'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 24, 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

Council Members
Metropolitan Council of the Twin Cities Area

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Council'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 Council's major federal programs for the year ended December 31, 2014. 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.

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 the Metropolitan Council'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Metropolitan Council 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 the Metropolitan Council 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 Council'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 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. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2010-001 and 2014-002, that we consider to be significant deficiencies.

The Metropolitan Council's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. The Metropolitan Council's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Metropolitan Council of the Twin Cities Area, a component unit of the State of Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements. We have issued our report thereon dated June 24, 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2015

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

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

| 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 | MN0046L5K011205 | \$ 245,407 |
| Shelter Plus Care | 14.238 | MN0046L5K011306 | 530,175 |
| Shelter Plus Care | 14.238 | MN0068L5K031205 | 73,670 |
| Shelter Plus Care | 14.238 | MN0068L5K031306 | 139,429 |
| Shelter Plus Care | 14.238 | MN0010L5K001205 | 794,804 |
| Shelter Plus Care | 14.238 | MN0010L5K001306 | 1,117,545 |
| Total CFDA #14.238 | | | \$ 2,901,030 |
| Sustainable Communities Regional Planning Grant Program | 14.703 | MNRIP002310 | \$ 69,496 |
| Section 8 Housing Choice Vouchers | 14.871 | MN163VO/MN163AF | \$ 51,775,267 |
| Passed Through City of Minneapolis | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | C-36949 | \$ 191,850 |
| Housing Opportunities for Persons with AIDS | 14.241 | C-38346 | 252,135 |
| Total CFDA #14.241 | | | \$ 443,985 |
| Total U.S. Department of Housing and Urban Development | | | \$ 55,189,778 |
| U.S. Department of Transportation | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Highway Planning and Construction | | | |
| 2004 Urban Guarantee Section 133 | 20.205 | MN-90-X201 | \$ 53,548 |
| (Total Highway Planning and Construction 20.205 \$154,580) | | | |
| Federal Transit Cluster | | | |
| Federal Transit Capital Investment Grants | | | |
| 2002 Section 5309 | 20.500 | MN-03-0066 | \$ 182,819 |
| 2003 Section 5309 | 20.500 | MN-03-0086 | 8,722 |
| 2000 Section 5309 | 20.500 | MN-03-0101 | 381,618 |
| 2005 Section 5309 | 20.500 | MN-03-0126 | 220,418 |
| 2006 Section 5309 | 20.500 | MN-03-0200 | 99,315,012 |
| 2006 Section 5309 | 20.500 | MN-04-0018 | 89,715 |
| 2006 - 2007 Section 5309 | 20.500 | MN-04-0019 | 700,456 |
| 2007 - 2008 Section 5309 | 20.500 | MN-04-0026 | 11,551 |
| 2009 Section 5309 43USC5309 | 20.500 | MN-04-0038 | 475,000 |
| 2010 Section 5309 D2010-BUSP-05 | 20.500 | MN-04-0039 | 816,956 |
| 2011 Section 5309 | 20.500 | MN-04-0040 | 108,027 |
| 2013 Section 5309 | 20.500 | MN-04-0049 | 1,058,556 |
| 2006 Section 5309 | 20.500 | MN-05-0018 | 45,774 |
| 2007 - 2008 Section 5309 | 20.500 | MN-05-0019 | 408,657 |
| 2011 Section 5309 | 20.500 | MN-05-0020 | 478,263 |
| 2012 - 2015 Section 5309 | 20.500 | MN-05-0022 | 2,715,918 |
| 2012 Section 5309 | 20.500 | MN-05-0023 | 5,158,005 |
| Total CFDA #20.500 | | | \$ 112,175,467 |

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**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 | Contract Number/ Pass-Through Grant Number | Expenditures |
|--|------------------------------------|---|----------------------|
| U.S. Department of Transportation | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Federal Transit Cluster (Continued) | | | |
| Federal Transit Formula Grants | | | |
| 2000 Section 5307 | 20.507 | MN-90-X177 | \$ 1,195 |
| 2002 - 2003 Section 5307 | 20.507 | MN-90-X190 | 3,040 |
| 2003 Section 5307 | 20.507 | MN-90-X204 | 16,673 |
| 2003 - 2005 Section 5307 | 20.507 | MN-90-X215 | 30,259 |
| 2006 Section 5307 | 20.507 | MN-90-X235 | 317,901 |
| 2006 Section 5307 | 20.507 | MN-90-X238 | 78,443 |
| 2007 Section 5307 | 20.507 | MN-90-X242 | 59,558 |
| 2007 - 2008 Section 5307 | 20.507 | MN-90-X249 | 1,870 |
| 2007 - 2008 Section 5307 | 20.507 | MN-90-X260 | 206,459 |
| 2009 - 2010 Section 5307 | 20.507 | MN-90-X271 | 115,975 |
| 2010 Section 5307 | 20.507 | MN-90-X274 | 488,916 |
| 2010 Section 5307 | 20.507 | MN-90-X279 | 53,418 |
| 2011 Section 5307 | 20.507 | MN-90-X282 | 630,452 |
| 2009 - 2010 Section 5307 | 20.507 | MN-90-X283 | 47,938 |
| 2011 Section 5307 | 20.507 | MN-90-X286 | 205,929 |
| 2011 Section 5307 | 20.507 | MN-90-X289 | 294,797 |
| 2011 Section 5307 | 20.507 | MN-90-X295 | 46,233 |
| 2012 Section 5307 | 20.507 | MN-90-X296 | 1,029,764 |
| 2012 Section 5307 | 20.507 | MN-90-X297 | 100,271 |
| 2012 Section 5307 | 20.507 | MN-90-X299 | 1,319,985 |
| 2012 - 2013 Section 5307 | 20.507 | MN-90-X300 | 1,515,198 |
| 2013 Section 5307 | 20.507 | MN-90-X301 | 59,484 |
| 2013 Section 5307 | 20.507 | MN-90-X302 | 6,941,500 |
| 2013 Section 5307 | 20.507 | MN-90-X305 | 178,178 |
| 2013 Section 5307 | 20.507 | MN-90-X307 | 1,015,482 |
| 2013 Section 5307 | 20.507 | MN-90-X308 | 747,466 |
| 2012 Section 5307 | 20.507 | MN-90-X309 | 4,432,147 |
| 2012 - 2013 Section 5307 | 20.507 | MN-90-X311 | 11,399,333 |
| 2013 Section 5307 | 20.507 | MN-90-X312 | 136,937 |
| 2013 Section 5307 | 20.507 | MN-90-X315 | 49 |
| 2013 Section 5307 | 20.507 | MN-90-X318 | 1,097,817 |
| 2013 Section 5307 | 20.507 | MN-90-X319 | 10,000,000 |
| 2013 - 2014 Section 5307 | 20.507 | MN-90-X323 | 2,978,663 |
| 2013 Section 5307 | 20.507 | MN-90-X328 | 5,787 |
| 2007 Section 5307 | 20.507 | MN-95-X001 | 2,051,108 |
| 2011 Section 5307 | 20.507 | MN-95-X008 | (423) |
| 2010 - 2013 CMAQ | 20.507 | MN-95-X015 | 38,972 |
| 2011 Section 5307 | 20.507 | MN-95-X022 | 167,659 |
| 2012 Section 5307 | 20.507 | MN-95-X026 | 2,291,077 |
| 2012 Section 5307 | 20.507 | MN-95-X028 | 1,825,043 |
| 2012 Section 5307 | 20.507 | MN-95-X031 | 3,979,244 |
| 2013 Section 5307 | 20.507 | MN-95-X036 | 1,964,484 |
| 2013 Section 5307 | 20.507 | MN-95-X037 | 6,429,474 |
| 2014 CMAQ | 20.507 | MN-95-X043 | 1,200,000 |
| Total CFDA #20.507 | | | \$ 65,503,755 |

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**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 | Contract Number/ Pass-Through Grant Number | Expenditures |
|--|------------------------------------|---|-----------------------|
| U.S. Department of Transportation | | | |
| Direct | | | |
| Federal Transit Administration | | | |
| Federal Transit Cluster (Continued) | | | |
| State of Good Repair Grants Program | | | |
| 2013 MT Buses | 20.525 | MN-54-0001 | \$ 3,502,574 |
| Rail Assoc Capital Maint | 20.525 | MN-54-0002 | 1,434,807 |
| Bus Hoists & Tire Lease | 20.525 | MN-54-0003 | 845,449 |
| LRT and Facility Upgrades | 20.525 | MN-54-0005 | 10,331 |
| Total CFDA #20.525 | | | \$ 5,793,161 |
| Bus and Bus Facilities Formula Program | | | |
| 2013 Section 5339 | 20.526 | MN-34-0001 | \$ 4,538,030 |
| Transit Services Programs Cluster | | | |
| Job Access and Reverse Commute Program | | | |
| 2010 - 2012 Section 5316 | 20.516 | MN-37-X015 | \$ 595,216 |
| New Freedom Program | | | |
| 2011 - 2013 New Freedom | 20.521 | MN-57-X006 | \$ 459,273 |
| Alternatives Analysis | | | |
| 2008 Section 5339 | 20.522 | MN-39-0002 | \$ 279,284 |
| 2011 - 2012 Section 5339 | 20.522 | MN-39-0005 | 436,486 |
| 2012 Section 5339 | 20.522 | MN-39-0006 | 32,624 |
| Total CFDA #20.522 | | | \$ 748,394 |
| Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions | | | |
| 2011 TIGGER II | 20.523 | MN-88-0001 | \$ 98,339 |
| National Infrastructure Investments | | | |
| Transportation Investment Generating Economic Recovery | | | |
| 2012 Section 5339 TIGER III | 20.933 | MN-79-0001 | \$ 10,000,000 |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction | | | |
| Travel Behavior Inventory | 20.205 | 94801 | \$ 101,032 |
| (Total Highway Planning and Construction 20.205 \$154,580) | | | |
| Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | | | |
| 2012 Unified Planning Work Program (UPWP) | 20.505 | 98158 | \$ 3,222,674 |
| Formula Grants for Rural Areas | | | |
| 2010 Section 5311 | 20.509 | 95832 | \$ 623,744 |
| Total U.S. Department of Transportation | | | \$ 203,912,633 |

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

**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 | Contract Number/ Pass-Through Grant Number | Expenditures |
|---|------------------------------------|---|-----------------------|
| U.S. Environmental Protection Agency | | | |
| Passed Through Minnesota Public Facilities Authority | | | |
| Capitalization Grants for Clean Water State Revolving Funds | | | |
| State Revolving Funds | 66.458 | MPFA-13-0025R-FY14 | \$ 60,000,000 |
| State Revolving Funds | 66.458 | MPFA-13-0026R-FY15 | 17,451,689 |
| State Revolving Funds | 66.458 | MPFG-13-0025R-FY14 | 929,494 |
| Total CFDA #66.458 | | | \$ 78,381,183 |
| Passed Through Minnesota Pollution Control Agency | | | |
| Great Lakes Program | | | |
| Electric Vehicle Charging Stations | 66.469 | 13G004/52989 | \$ 36,528 |
| Total U.S. Environmental Protection Agency | | | \$ 78,417,711 |
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4131-MN | \$ 17,434 |
| Homeland Security Grant Program | | | |
| 2011 Urban Areas Security Initiative | 97.067 | A-UASI-2011-METTRANPD-0038 | \$ 41,306 |
| 2013 Urban Areas Security Initiative | 97.067 | A-UASI-2013-METCOUNC-0009 | 50,000 |
| Total CFDA #97.067 | | | \$ 91,306 |
| Rail and Transit Security Grant Program | 97.075 | EMW-2011-RA-K0000890S01 | \$ 284,058 |
| Total U.S. Department of Homeland Security | | | \$ 392,798 |
| Total Federal Awards | | | \$ 337,912,920 |

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

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 the Metropolitan Council. The Council's reporting entity is defined in Note I.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, 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 the Metropolitan Council, it is not intended to and does not present the financial position, changes in net position, 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.

4. Clusters

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

| | |
|-----------------------------------|----------------|
| Federal Transit Cluster | \$ 188,010,413 |
| Transit Services Programs Cluster | 1,054,489 |

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

5. 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> |
|--------------------|--|---|
| 14.703 | Sustainable Communities Regional Planning Grant Program | \$ 23,601 |
| 20.500 | Federal Transit Capital Investment Grants | 3,575,224 |
| 20.507 | Federal Transit Formula Grants | 19,418,479 |
| 20.516 | Job Access and Reverse Commute Program | 212,421 |
| 20.521 | New Freedom Program | 387,420 |
| 20.522 | Alternatives Analysis | 715,773 |
| 20.933 | National Infrastructure Investments | 10,000,000 |
| | Total | <u>\$ 34,332,918</u> |