

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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.

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Year Ended December 31, 2006



Management and Compliance Report

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

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of the City of Minneapolis.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of the City of Minneapolis and are 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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of the City of Minneapolis 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 City of Minneapolis 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:

Community Development Block Grant	CFDA #14.218
HOME Investment Partnerships Program	CFDA #14.239
Enterprise Communities and Empowerment Zones Program	CFDA #14.244
WIA Cluster	
Workforce Investment Act - Adult Program	CFDA #17.258
Workforce Investment Act - Youth Activities	CFDA #17.259
Workforce Investment Act - Dislocated Workers	CFDA #17.260

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.468
Homeland Security Cluster State Domestic Preparedness Equipment Support Program	CFDA #97.004
Homeland Security Grant Program	CFDA #97.067
Urban Areas Security Initiative	CFDA #97.008

H. The threshold for distinguishing between Types A and B programs was \$1,313,859.

I. The City of Minneapolis 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 ITEMS NOT RESOLVED

01-1 Reconciliation of CPED Land Inventory Records

Previous reports have disclosed the following conditions related to land inventory records maintained by the Minneapolis Community Planning and Economic Development Department (CPED):

1. CPED staff are unable to reconcile their reports on acquisitions, dispositions, and balances. Significant time is incurred by audit staff in order to attest to amounts for the City's financial statements.
2. Authorizations for land transactions cannot always be located. Records do not provide sufficient information to link acquired parcels with those disposed. This may be due, in part, because some acquired parcels are replatted and given new addresses.
3. Land transactions are not recorded in a timely manner to the CPED's subsidiary information system. The CPED has no policies or procedures in place to ensure that project managers are forwarding pertinent information to staff for timely input.

These conditions, as noted in previous reports, did not change for the year ended December 31, 2006.

We again recommend that policies and procedures be developed to provide more accuracy in the reporting of land transactions.

Client's Response:

City Finance will continue to work with the CPED Department to analyze and improve accounting procedures, and to provide CPED management with timely and accurate financial information.

02-1 Timely Accounting for CPED Activities

Previous reports have noted financial transactions occurring throughout the year that were not recorded in a timely manner. Examples of these transactions relate to trustee activities, loan repayments, and requests for reimbursement from granting agencies for expenditures incurred. The absence of timely accounting can distort the financial position of CPED funds during the year, and it can cause delays in completing annual financial reports. The condition remained unchanged for the year ended December 31, 2006.

We again recommend that CPED staff improve the timeliness in recording transactions related to the above areas.

Client's Response:

City Finance is currently implementing a new financial software system. The City's accounting and financial management processes will be reviewed as part of this implementation. This is a multi-year process to develop policies and procedures to ensure timely and accurate information.

ITEM ARISING THIS YEAR

06-1 Prior Period Adjustment

The City's 2006 financial statements include a prior period adjustment to recognize a capital lease receivable in the amount of \$10,100,000. The lease receivable was omitted from previous financial statements because a lease document had not been prepared by the City. As a result, Finance personnel were not aware that a lease arrangement existed.

We recommend that the City establish procedures to ensure that future arrangements affecting its financial position be communicated to Finance personnel and recognized in the financial statements.

Client's Response:

The City staff reviews City Council agendas and actions taken for relevant financial topics. This will enable us to be more proactive about properly accounting for financial transactions that impact the City's financial position.

PREVIOUSLY REPORTED ITEM RESOLVED

Treasury Division - Reconciliation of Cash and Investment Accounts 05-1

Our previous report noted the following conditions related to reconciliations of the City's cash and investment accounts:

- Cash and investment accounts were not reconciled to accounting records on a monthly basis.
- Account reconciliations were not started within 30 days of receipt of the bank statement.
- Funds were wired out of investment accounts without an offset entry to the accounting records.
- Entries recorded directly to cash and investment accounts could be performed by Finance Department staff outside of the Treasury Division, with no process requiring Treasury staff to approve these entries.
- Numerous stale items were included on the reconciliations. The Treasury Division lacked procedures to resolve these stale items in a timely manner.

Resolution

Our current year's review of these conditions found substantial progress by the Treasury Division in resolving these issues. As a result, we consider these findings resolved.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER ITEMS FOR CONSIDERATION

A. Financial Condition of Certain Internal Service Funds

Some internal service funds of the City have been experiencing a decline in financial condition over the previous several years. The following table presents selected information from the affected internal service funds for the last three years:

(Amounts Below Expressed in Thousands)

<u>Financial Information</u>	<u>Intergovernmental Services Fund</u>	<u>Property Services Fund</u>	<u>Equipment Services Fund</u>	<u>Self-Insurance Fund</u>
Net Working Capital (Current assets less current liabilities)				
2004	\$ (12,254)	\$ (906)	\$ (3,622)	\$ (3,647)
2005	(14,122)	(937)	(814)	(287)
2006	(10,789)	(1,340)	(4,312)	(3,402)
Unrestricted Net Assets				
2004	(19,121)	(578)	59	(37,980)
2005	(20,550)	(536)	4,422	(36,040)
2006	(22,895)	(990)	845	(30,102)
Change in Net Assets				
2004	2,307	(152)	(59)	3,003
2005	3,231	(471)	2,137	1,940
2006	10,492	(1,024)	2,974	5,938

To address the financial condition of these funds, the City's Finance Department has prepared workout plans for some of the funds; presently, there is not a plan for the Property Services Fund.

Intergovernmental Services Fund

The Intergovernmental Services Fund continued to show improvement in its financial condition. For 2006, the fund's net asset balance increased \$10,492,000, the third straight year that an increase has occurred. The significant increase to the net asset balance was due largely to a \$10,000,000 increase in operating revenues from the previous year, while maintaining only a modest increase in operating expenses. Actual revenues (including transfers from other funds) exceeded projections by \$14,008,000. Though actual expenses for 2006 were \$3,492,000 higher than projections, the significant increase to revenues helped mitigate this variance. A significant decrease in depreciation expense of \$2,547,000

from 2005 contributed to the positive performance of the fund. Due to this good performance, the fund's net asset deficit improved from \$(34,256,000) at the beginning of 2006 to \$(23,764,000) at year-end.

Property Services Fund

The Property Services Fund had a decrease in its net asset balance for the fourth consecutive year. The 2006 decrease of \$1,024,000 was greater than double the decrease from 2005. Operating expenses exceeded operating revenues by \$1,503,000. The loss in operating activities was partially offset by transfers (net) from other funds of \$813,000. Depreciation expense--\$1,243,000 in 2006--is an ongoing factor to this fund's financial health. The ending net working capital (\$1,340,000) and unrestricted net assets (\$990,000) are also indicators of continuing decline in this fund's financial health. Future requirements for debt service and capital asset replacement should continue to be addressed by City management. Due to the continuing decline in financial condition, City management should consider developing a workout plan for this fund.

Equipment Services Fund

The Equipment Services Fund continued in 2006 to build on its positive net asset balance. For 2006, the fund's net asset balance increased \$2,974,000, after experiencing a \$2,137,000 increase in the previous year. The increase in net assets for 2006 was attributed primarily to transfers of \$4,375,000 (net) into the fund. Though operating revenues did not reach the forecasted amount for 2006, operating expenses were also less than projected, allowing for the increase in net assets. The cash balance of \$2,036,000 did not reach the forecasted amount of \$4,804,000. However, if increases to net assets continue, the fund's cash balance should also improve. The immediate effect of this difference in projected cash is that net working capital of this fund continued to show a negative balance, increasing from \$(814,000) in 2005 to \$(4,312,000) for 2006. Though the fund's financial health appears to be on the right course, a continuing challenge will be the funding of depreciating assets and long-term debt obligations.

Self-Insurance Fund

The Self-Insurance Fund continued to show improvement to its financial health for 2006. Net assets increased \$5,938,000 in 2006, the third consecutive year of increases to net assets. The 2006 amount exceeded projections from the workout plan by \$2,239,000. The workout plan provided for expenses to exceed revenues by \$266,000 and to have net transfers offset the loss and provide for an increase in net assets. The actual operating loss for 2006 was \$7,927,000 which, in fact, appeared to be offset with net transfers of \$8,700,000, as well as miscellaneous revenues of \$5,255,000. This covered the loss as intended in the workout plan and also helped reduce the net asset deficit from a projected amount of \$(32,124,000) to \$(30,102,000) at year-end 2006. The fund's cash balance also showed improvement in 2006, from a positive \$1,797,000 for 2005 to a positive amount of \$5,541,000 at year-end 2006. Though a positive equity position will take some time to achieve, the City's workout plan appears to be providing results. There will be an ongoing need for controlling expenses and committing additional revenue streams for this fund to improve its financial position.

Except for the Property Services Fund, the financial health of the internal service funds noted above continue to show improvements. The need to provide sufficient revenue streams and to control expenses will continue to be management's challenge for these funds. Regarding the Property Services Fund, we recommend that City management review the condition of this fund to determine if development of a workout plan would be of benefit to improving its financial position.

Client's Response:

The City continues to address the financial challenges presented by the Internal Service Funds. The City Council has supported and continues to support a strong financial commitment to these funds. This includes adherence to the adopted workout plans and one-time transfers to the funds when General Fund reserves permit. For instance, City Council approved a payment of \$3.5 million to extinguish a portion of the Intergovernmental Services Fund's internal debt. In addition, implemented rate models and ongoing financial reporting to managers ensures that expenses are tightly controlled within these funds. The City will also be closely watching the financial condition of the Property Services Fund. The goal is to steadily increase revenues to a point where it is recovering a sufficient amount to negate the effects of depreciation.

B. Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the City will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the City will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the City determines that the establishment of a trust is desirable in order to fund the OPEB, the City will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the City will have to decide whether to hire an actuary.

If applicable for the City of Minneapolis, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2006 and 2007, respectively.



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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*

Mayor and Members of the City Council
City of Minneapolis

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of and for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 01-1, 02-1, and 06-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Minneapolis' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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

Also included in the Schedule of Findings and Questioned Costs are other items for consideration. We believe this information to be of benefit to the City of Minneapolis, and it is reported for that purpose.

The City of Minneapolis' written responses to the significant deficiencies identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, Mayor, management, others within the City of Minneapolis, 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 29, 2007

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

Mayor and Members of the City Council
City of Minneapolis

Compliance

We have audited the compliance of the City of Minneapolis 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, 2006. The City of Minneapolis' 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 City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Minneapolis' 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 City's compliance with those requirements.

In our opinion, the City of Minneapolis 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, 2006.

Internal Control Over Compliance

The management of the City of Minneapolis 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 City'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, 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 City's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Minneapolis' internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of and for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City'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 City Council, Mayor, management, others within the City, 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 29, 2007

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**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants	14.218	\$ 17,779,939	\$ 5,288,828
Emergency Shelter Program	14.231	627,465	-
Home Investment in Affordable Housing (HOME)	14.239	3,854,495	-
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	607,121	606,121
Empowerment Zones Program	14.244	3,268,003	1,309,570
Community Development Block Grant			
Brownfields Economic Development Initiative	14.246	86,854	86,854
Lead-Based Paint Hazard Control	14.900	1,192,252	-
Healthy Homes Demonstration Grant	14.901	350,145	164,901
Lead Outreach Grant	14.904	276,297	215,294
		<u>28,042,571</u>	<u>7,671,568</u>
Total U.S. Department of Housing and Urban Development		\$ 28,042,571	\$ 7,671,568
U.S. Department of the Interior - National Park Service			
Passed Through Minnesota Historical Society			
Historic Preservation Fund Grants-In-Aid	15.904	\$ 19,625	\$ -
Direct			
Save America's Treasurers	15.929	45,279	-
		<u>64,904</u>	<u>-</u>
Total U.S. Department of the Interior - National Park Service		\$ 64,904	\$ -
U.S. Department of Justice			
Passed Through Domestic Abuse Project			
Violence Against Women Formula Grants	16.588	\$ 539	\$ -
Passed Through Minnesota Department of Public Safety			
Juvenile Accountability Incentive Block Grant	16.523	30,894	30,894
Juvenile Justice and Delinquency Prevention Special Emphasis	16.548	31,136	31,136
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	10,482	-
Edward Byrne Memorial Formula Grant Program	16.579	210,221	12,450
Weed and Seed Program	16.595	39,126	-
Enforcing Underage Drinking Laws Program	16.727	3,000	-
Passed Through Greater Minneapolis Council of Churches			
Weed and Seed Program	16.595	70,042	30,452
Passed Through Pillsbury United Communities			
Weed and Seed Program	16.595	110,268	-
Passed Through Hennepin County			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	248,343	-

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)			
Direct			
Antiterrorism Emergency Reserve	16.321	48,487	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			
Discretionary Drug and Criminal Assistance Program	16.580	189,798	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	208,644	98,421
Local Law Enforcement Block Grant	16.592	25,781	-
Community Prosecution Planning Grant	16.609	49,258	-
Police Hiring Grant	16.710	326,789	-
		<u>1,602,808</u>	<u>203,353</u>
Total U.S. Department of Justice		\$ 1,602,808	\$ 203,353
U.S. Department of Labor			
Passed Through Minnesota Department of Employment and Economic Development			
Workforce Investment Act - Adult Program	17.258	\$ 809,866	\$ 660,985
Workforce Investment Act - Youth Activities	17.259	984,563	745,319
Workforce Investment Act - Dislocated Workers	17.260	571,431	332,750
Disability Employment Policy Development	17.720	31,063	-
		<u>2,396,923</u>	<u>1,739,054</u>
Total U.S. Department of Labor		\$ 2,396,923	\$ 1,739,054
U.S. Department of Transportation			
Passed Through Metropolitan Council			
Highway Planning and Construction	20.205	\$ 552,993	\$ 355,044
Passed Through Minnesota Department of Public Safety			
Safe and Sober Program	20.600	39,503	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	21,797	-
Direct			
Federal Transit Capital Investment Grants - Bus and Bus Facilities	20.500	4,037	-
		<u>618,330</u>	<u>355,044</u>
Total U.S. Department of Transportation		\$ 618,330	\$ 355,044
Equal Employment Opportunity Commission			
Direct			
Employment Discrimination - State and Local Fair Employment	30.002	\$ 1,200	-
U.S. Department of Education			
Passed Through Minnesota Department of Education			
New America Center	45.310	\$ 73,425	-

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency			
Passed Through Hennepin County			
Environmental Education Grants	66.951	\$ 133,292	\$ -
Passed Through Minnesota Public Facilities Authority			
Drinking Water State Revolving Fund Program	66.468	6,256,381	-
Direct			
Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	1,775	-
Source Reduction Assistance	66.717	14,300	-
Brownfield Pilots Cooperative Agreements	66.811	40,000	40,000
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	336,079	-
		\$ 6,781,827	\$ 40,000
U.S. Department of Health and Human Services			
Passed Through Hennepin County			
Center for Disease Control and Prevention	93.283	\$ 780,582	\$ 427,595
Temporary Assistance for Needy Families (TANF)	93.558	472,878	330,726
Passed Through Minneapolis Public Schools			
Adolescent Family Life Demonstration Project	93.995	36,116	-
Passed Through Minnesota Department of Health			
Mental Health National Service Awards for Research Training	93.282	811,493	472,123
Temporary Assistance for Needy Families (TANF)	93.558	512,935	497,500
Maternal and Child Health	93.994	909,531	507,444
Direct			
Healthy Start Initiative	93.926	894,572	497,065
Preventive Health Services Grant	93.974	276,799	217,026
		\$ 4,694,906	\$ 2,949,479

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security			
Passed Through Hennepin County			
Emergency Management Performance Grant	97.042	\$ 59,968	\$ -
Passed Through Minnesota Department of Public Safety			
State Domestic Preparedness Equipment Support Program	97.004	394,541	-
Urban Areas Security Initiative	97.008	2,129,603	-
Homeland Security Grant Program	97.067	1,960,375	-
Buffer Zone Protection Plan	97.078	280,236	-
Direct			
Disaster Grants - Public Assistance	97.036	131	-
Assistance to Firefighters Grant	97.044	645,915	-
Metropolitan Medical Response System	97.071	304,023	-
Total U.S. Department of Homeland Security		\$ 5,774,792	\$ -
Total Federal Awards		\$ 50,051,686	\$ 12,958,498

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the City of Minneapolis. The City's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the City of Minneapolis' basic financial statements.
3. Pass-through grant numbers were not available.