

**CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of the City of Minneapolis.
- B. Reportable conditions in internal control were disclosed by the audit of financial statements of the City of Minneapolis and are reported in the "Report on Compliance and on Internal Control Over Financial Reporting 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:

Public Works and Economic Development Grant	CFDA #11.300
Community Development Block Grant	CFDA #14.218
HOME Investment Partnerships Program	CFDA #14.239
Empowerment Zones/Enterprise Communities	CFDA #14.244
Lead Based Paint Hazard Control	CFDA #14.900

Workforce Investment Act - Adult Program (cluster)	CFDA #17.258
Workforce Investment Act - Youth Activities (cluster)	CFDA #17.259
Workforce Investment Act - Dislocated Workers (cluster)	CFDA #17.260
Assistance to Firefighters Grant	CFDA #83.554
Temporary Assistance to Needy Families	CFDA #93.558

- H. The threshold for distinguishing between Types A and B programs was \$1,158,139.
- I. The City of Minneapolis was not 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

00-1 Accounting Policies and Procedures

In our previous report, we noted that the City of Minneapolis did not have a comprehensive accounting policies and procedures manual. Steps have been taken by the City, including organizational changes in the accounting division and a review of existing policies and procedures, to help with the creation of an updated document. As organizational changes continue to affect City departments and agencies, a comprehensive document of policies and procedures for staff to follow will be of greater significance.

We encourage finance officials to continue with their efforts toward the development of a comprehensive policies and procedures manual.

Client's Response:

A comprehensive accounting policies and procedures manual has been compiled and updated to bring it up to current status. Several of these policies and procedures have been included in the City's Intranet web site. The department will continue to update more policies and procedures during this year.

01-1 Reconciliation of MCDA Land Inventory

The Minneapolis Community Development Agency (MCDA) is involved with the acquisition and disposition of numerous land parcels throughout the year. These parcels are not recorded as capital assets or inventory in the City's general ledger. Instead, they are recorded in a subsidiary information system of the MCDA. This system is the sole source used to account for land transactions by the MCDA. Our review of year-end reports from this system revealed the following:

1. There are individual reports that present properties held by the MCDA at the beginning and end of the year, acquisitions during the year, and dispositions for the year. We found that the reports were not reconcilable with one another. Efforts by MCDA staff to resolve differences in the reports were unsuccessful. Significant time was incurred by audit staff to arrive at amounts for the MCDA's financial statements.
2. The MCDA's Board minutes should contain approvals for the acquisitions and dispositions of land parcels. However, a significant number of these transactions could not be located in the minutes. It appears this absence of information in the minutes occurs when, in the course of redevelopment, land parcels acquired with a given description are replatted and assigned new addresses. Presently, the MCDA's land records do not provide sufficient information to link acquired parcels with the disposed parcels. This condition further compounds the accountability and financial reporting issues for land transactions.
3. Acquisition and disposal transactions are not recorded in a timely manner to the MCDA's subsidiary information system. There are no policies or procedures in place to ensure that project managers are forwarding pertinent information to staff for timely input.

The conditions noted above from our previous report did not change for the year ended December 31, 2002.

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

Client's Response:

We have begun an analysis of the land inventory subsidiary system and the procedures employed to provide information to this system. We intend to develop policies and formalize procedures to insure timely and accurate land inventory information for future reports.

ITEM ARISING THIS YEAR

02-1 Timely Accounting for MCDA Activities

We noted several financial transactions occurring throughout the year that were not recorded in a timely manner. These transactions were recorded either after year-end or at the time financial statements were prepared, causing significant delays in the preparation of the City's financial report. Examples of these transactions relate to debt issuance, loan repayments, transfers for debt retirement, and requesting reimbursements from granting agencies for expenditures incurred. It appears this condition was caused, in part, because project staff initiating the transactions were not informing the accounting department on a timely basis. Another cause of untimely recordings may be due to time constraints of the Accounting Coordinator. The absence of timely accounting can distort the financial position of MCDA funds during the year, and it can also cause delays in completing annual financial reports.

We recommend that efforts be made to improve the timeliness of recording MCDA financial transactions. It may prove desirable to institute a procedure that incorporates a sign-off process by the City Finance Officer before projects requiring financing authority can proceed. The timely recording of transactions may also require the involvement of another staff person, in addition to the Accounting Coordinator presently performing these duties.

Client's Response:

The MCDA is in a period of transition to formally become a part of the City of Minneapolis. During this transition phase, MCDA operating procedures will be reviewed to establish efficient and effective ways to combine MCDA and City operations.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

97-4 **Information and Technology Services - Disaster Recovery Plan**

In previous reports, we noted that the City does not have a comprehensive information systems disaster recovery/business continuity plan. We also have noted that the City continues to address this issue.

We again recommend that the City continue the process of establishing a comprehensive plan to provide assurances that all essential systems have been considered in the event of a disaster or significant disruption of business activities.

Client's Response:

In December 2002, the City of Minneapolis entered into an outsourcing agreement of the City's technology operations. By September 2003, our Data Center will be moved off Downtown City of Minneapolis property to the outsourcer's Data Center facility. By moving the Data Center to the outsourcer's Data Center facility, we have added a layer of protection to the City.

Part of the outsourcing agreement will include disaster recovery services which will be initiated in January 2004. The outsourcer will provide a disaster recover solution for various mission critical applications.

The disaster recovery solution will feature the outsourcer's secondary Data Center as the backup center for the City of Minneapolis. This solution is part of the outsourcer's agreement.

The City continues the process of integrating a disaster recovery plan and a business continuity plan as a full solution. The City has also developed an emergency operations plan for natural disasters.

00-2 General Fund Overhead Charge

In previous reports, we noted that the City has an overhead charge that is applied to designated funds to recover the costs of administration incurred through the General Fund. The basis for this charge, which has been actual expenditures/expenses of the designated funds, may have little relationship to the costs being recovered. This is a practice that has taken place for many years with little change.

The City's previous response stated that it will evaluate whether the current basis for recovering administrative costs in the General Fund is still applicable. The evaluation will be done as part of the work to analyze all accounting policies and procedures. For the year ended December 31, 2002, there was no change in this condition.

We recommend that the City follow through with its evaluation of the overhead charges in the General Fund.

Client's Response:

We currently have a model in place whereby the General Fund overhead expenses are being assigned to the appropriate City divisions. We are currently confirming the method of driving these costs with the "source" General Fund Divisions and meeting with the "customer" Divisions to explain the impact and receive feedback. Acceptable modifications will be in place to apply to the next budget cycle or before.

01-2 Public Works Department - Rate Setting Process of the Equipment Division

Our previous report noted that determination of Equipment Division rates did not always follow a systematic process nor was there the same level of oversight that other rates within the City received. We also noted that during the year, changes were made to equipment division rates that lacked appropriate documentation.

During 2002, the City Finance Department began a rate model study of the Equipment Division. Also, the Public Works Department began implementing its fleet management system. However, these projects were not fully operational by the end of 2002.

City finance officials are progressing with an improved method for establishing rates. We encourage this process to continue.

Client's Response:

A rate model is in place for the Equipment Division using the software purchased in 2002. This model was used for the recasting of 2001 and 2002 costs assigned to customers in order to comply with GASB 34.

In the fall of 2002, Public Works hired a new Superintendent of the Equipment Services Division who brought an "ABC" model with him from Calgary, Canada. The new infusion of knowledge has resulted in ESD progressing with an improved method for establishing new rates for 2004.

There are three kinds of rates being established:

- 1. Prime Fleet rate*
- 2. Extended Life Fleet rate*
- 3. Mothballed Fleet rate*

Fleet rates will include capital investment recovery, City and ESD administration overheads. ESD will charge maintenance, fuel, damage, ferrying and field service separately and directly to the customers.

ESD is in the process of establishing a policies and procedures manual that would explain in detail more about these rates.

B. OTHER ITEMS FOR CONSIDERATION

Financial Condition of Certain Internal Service Funds

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

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(Continued)

(Amounts Below Expressed in Thousands)

<u>Financial Information</u>	<u>Intergovernmental Services Fund</u>	<u>Property Services Fund</u>	<u>Permanent Improvement Equipment Fund</u>	<u>Self-Insurance Fund</u>
Net Working Capital (Current assets less current liabilities)				
2001	\$ (5,318)	\$ (2,055)	\$ (9,502)	\$ (10,342)
2002	(5,872)	(4,209)	(7,304)	(8,841)
Unrestricted Net Assets				
2001	(16,830)	(2,207)	(10,131)	(45,119)
2002	(17,297)	(4,200)	(6,322)	(43,255)
Change in Net Assets				
2001	(2,293)	(13)	2,537	4,368
2002	(4,598)	1,050	(4,149)	1,864

To address the financial condition of these funds, the City Finance Department has prepared a workout plan. The plan, which presently does not include the Property Services Fund, is projected to cover the next ten years, after which financial solvency is expected to be achieved.

Intergovernmental Services Fund

For 2002, the fund incurred a decrease in its net assets of \$4,598,000, compared with a decrease of \$2,293,000 in 2001. Revenues (including transfers from other funds) in 2002 increased \$3,959,000 over 2001 levels. However, operating expenses continued to outpace revenues in 2002 by \$1,741,000. Additionally, interest payments on outstanding debt further contributed to the decrease in net assets.

According to the City's workout plan, revenues and transfers in 2002 exceeded projections by \$1,666,103. However, 2002 expenses were \$5,520,289 greater than amounts from the plan, accounting for the majority of the decrease in net assets.

Property Services Fund

The Property Services Fund experienced a positive year with its financial condition. Net assets increased \$1,050,000, due to transfers in from other funds totaling \$1,665,000. Operating expenses were substantially matched with operating revenues of the fund. We note, however, that the negative

Schedule 1
(Continued)

position of net working capital and unrestricted net assets increased in 2002. This was caused in large part to the fund's cash needs directed at new construction and debt service obligations. Future requirements to fund debt service and capital asset replacements will have to be considered in revenue projections for this fund to maintain sufficient liquidity.

Permanent Improvement Equipment Fund

In 2002, this fund experienced a decline in its net asset balance of \$4,149,000, compared to a net asset gain of \$2,537,000 in 2001. The decline was due, in part, to increased interest expense for debt service of \$424,000, compared to 2001. Also, losses from disposals of capital assets increased from 2001 by \$1,160,000. Transfers out to other funds also increased from 2001 by \$823,000. Despite the decline in net assets, there was a modest increase in the fund's cash position to \$895,000 at year-end. Also, the unrestricted portion of net assets increased from (\$10,131,000) at December 31, 2001, to (\$6,332,000) at December 31, 2002. The one-time change in accounting principles for implementing Governmental Accounting Standards Board Statement 34 has also resulted in overall improvement to the fund's equity position.

According to the workout plan, the fund's year-end cash balance was projected at (\$4,019,846). However, as noted above, the actual balance was \$895,000 at year-end, a significant improvement. Operating revenues and expenses were within amounts projected for 2002. The workout plan called for approximately \$700,000 in gains from disposals of capital assets, but the fund actually incurred losses totaling \$1,980,000, a \$2,680,000 difference. Finally, transfers to other funds were estimated at \$91,450, while actual transfers totaled \$1,652,000, a difference of \$1,560,550. In 2002, there were some positive elements to the fund's financial activities which seemed to follow expectations of the workout plan. It appears that a revenue stream commensurate with the services provided to other City departments will continue to be the primary factor for this fund to achieve a positive position.

Self-Insurance Fund

The Self-Insurance Fund showed an increase in net assets for 2002 of \$1,864,000. This was a decrease of \$2,504,000 from 2001, though still showing an increase for the year. Though revenue increased from 2001 by

Schedule 1
(Continued)

\$7,549,000, expenses were also up sharply from 2001 levels by approximately \$11,056,000, primarily in the area of contractual services. Further, there continues to be a need for improvement in the fund's cash position to reduce dependence on loans from other funds.

According to the City's workout plan, revenue projections for 2002 approximated actual amounts, while actual expenses exceeded projections by \$5,110,000. Overall, year-end net assets from the financial statements met the workout plan's expectations. It would appear that there is a need for controlling expenses in order for this fund to improve its financial position.

The results from above indicate that the internal service funds are showing improvements to their financial condition consistent with the City's workout plan. The need to provide sufficient revenue streams and to control expenses will continue to be management's challenge for these funds.

Client's Response:

The City of Minneapolis will continue to address the continued financial challenges presented to the City's Internal Service Funds and the commitment to the Deficit Reduction plans. Finance has continued to improve the reporting and monitors the respective funds' performance to financial plans. Ensuring proper rates are in place through the rate models and ongoing financial reporting to the managers will continue. The Mayor and the Council have adopted financial workout plans for all of the three financially challenged funds: Permanent Improvement Equipment Fund, Self-Insurance Fund, and Intergovernmental Services Fund. Since the adoption of 2001 budget and subsequent budgets, the Mayor and City Council demonstrated strong commitment to addressing the financial challenges that exist by providing the resources that are planned for in the workout plans.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING 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 City of Minneapolis as of and for the year ended December 31, 2002, and have issued our report thereon dated June 11, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Minneapolis' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal

control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-1, 01-1, and 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions indicated above are considered to be material weaknesses.

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 five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. 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.

This report is intended for the information of the City's management, the Mayor, members of the City Council, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

PATRICIA AWADA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 11, 2003

**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, 2002. 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.

The City of Minneapolis' financial statements include the operations of the Minneapolis Park and Recreation Board, which received \$1,987,635 in federal awards and is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2002. Our audit described below did not include the operations of the Minneapolis Park and Recreation Board because the Board had its own Single 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, 2002.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Minneapolis as of and for the year ended December 31, 2002, and have issued our report thereon dated June 11, 2003. Our audit was performed for the purpose of forming opinions on the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the City's management, the Mayor, members of the City Council, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

PATRICIA AWADA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 11, 2003

CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce			
Direct			
Public Works and Economic Development Grant	11.300	\$ 573,795	\$ 573,795
Telecommunications and Information Infrastructure Assistance	11.552	250,319	85,086
Total Department of Commerce		\$ 824,114	\$ 658,881
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Human Services			
Empowerment Zones Program	14.244	\$ 2,674,903	\$ 1,532,715
Direct			
Multi-family	14.199	273,467	0
Community Development Block Grants	14.218	16,512,183	4,167,853
Emergency Shelter Program	14.231	609,929	0
Home Investment in Affordable Housing (HOME)	14.239	1,757,443	0
Hope for Ownership of Single Family Homes (HOPE)	14.240	8,925	0
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	639,838	634,695
Lead Abatement Program	14.301	139	0
Lead Based Paint Hazard Control	14.900	1,140,894	345,833
Total Department of Housing and Urban Development		\$ 23,617,721	\$ 6,681,096
U.S. Department of the Interior			
Passed Through Minnesota Historical Society			
Historic Preservation Fund Grants-In-Aid	15.904	\$ 30,000	\$ 0
U.S. Department of Justice			
Passed Through Hennepin County			
Juvenile Accountability Incentive Block Grant	16.523	\$ 50,000	\$ 28,000
Violence Against Women Formula Grant	16.588	120,867	19,843

CITY OF MINNEAPOLIS
MINNEAPOLIS, MINNESOTA

Schedule 2
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (continued)			
Passed Through Minnesota Department of Economic Security Juvenile Justice and Delinquency Prevention	16.540	89,286	38,853
Passed Through Minnesota Department of Public Safety Weed and Seed Program	16.595	529,084	142,420
Direct			
State Domestic Preparedness Equipment Support Program	16.007	162,000	0
Substance Volunteer Coordinator	16.579	334,028	42,050
Local Law Enforcement Block Grant	16.592	1,144,490	25,940
Community Prosecution Planning Grant	16.609	2,365	0
Police Hiring Grant	16.710	923,785	134,891
Enforcing Under Age Drinking Laws Program	16.727	32,574	0
Total Department of Justice		\$ 3,388,479	\$ 431,997
U.S. Department of Labor			
Passed Through Minnesota Department of Economic Security Welfare to Work	17.253	\$ 1,037,096	\$ 840,706
Workforce Investment Act	17.255	77,666	41,363
Workforce Investment Act - Adult Program	17.258	739,509	471,467
Workforce Investment Act - Youth Activities	17.259	887,836	515,807
Workforce Investment Act - Dislocated Workers	17.260	674,065	394,478
Direct			
Youth Offenders Program	17.249	92,600	0
Total Department of Labor		\$ 3,508,772	\$ 2,263,821

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety			
Safe and Sober Program	20.600	\$ 74,428	\$ 0
Alcohol Traffic Safety & Drunk Driving Prevention Incentive	20.601	18,708	0
Direct			
Alternative Fuel Project	20.500	\$ 717,573	\$ 392,056
Total Department of Transportation		\$ 810,709	\$ 392,056
Equal Employment Opportunity Commission			
Direct			
Employment Discrimination - State and Local Fair Employment	30.002	\$ 52,500	\$ 0
Environmental Protection Agency			
Direct			
Security Planning Grant - Large Drinking Water Utilities	66.476	\$ 106,279	\$ 0
Brownfield Pilots Cooperative Agreements	66.811	5,000	0
Total Environmental Protection Agency		\$ 111,279	\$ 0
Federal Emergency Management Agency			
Direct			
Assistance To Firefighters Grant	83.554	\$ 626,274	\$ 0
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Health Disparities	93.100	\$ 55,064	\$ 0
Center for Disease Control and Prevention	93.283	100,379	42,600
Temporary Assistance for Needy Families (TANF)	93.558	1,506,331	1,266,058
Healthy Start Initiative	93.926	1,092,915	662,804
Maternal and Child Health	93.994	1,474,009	524,713
Adolescent Family Life Demonstration Project	93.995	64,499	0

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Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)			
Passed Through Minnesota Department of Economic Security Temporary Assistance for Needy Families (TANF)	93.558	1,341,575	985,420
Total Department of Health and Human Services		\$ 5,634,772	\$ 3,481,595
Total Federal Awards		\$ 38,604,620	\$ 13,909,446

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.