

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, 2007

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**METROPOLITAN COUNCIL OF
THE TWIN CITIES AREA**

Year Ended December 31, 2007



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 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of the Metropolitan Council.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of the Metropolitan Council and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiency is not a material weakness.
- C. No instances of noncompliance material to the financial statements of the Metropolitan Council were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for the Metropolitan Council expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|--|--------------|
| Section 8 Housing Choice Vouchers | CFDA #14.871 |
| Capitalization Grants for Clean Water -
State Revolving Funds | CFDA #66.458 |
- H. The threshold for distinguishing between Types A and B programs was \$3,000,000.
- I. The Metropolitan Council was determined to be a low-risk auditee.

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

07-1 Audit Adjustments

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 of the financial statements on a timely basis. Statement on Auditing Standards (SAS) No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

- Accounts payable and related operating expenses were increased by \$1,706,620 in the Metro Transit Bus Enterprise Fund.
- Accounts payable and related expenditures were increased by \$615,200 in the Livable Communities Special Revenue Fund.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, by definition, independent external auditors cannot be considered part of the Council's internal control.

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

Client's Response:

Finance staff will review material accounts payable transactions occurring after year-end to verify postings are in the proper fiscal year prior to submitting fund financial statements for audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Federal Transit Capital Investment Grants, CFDA #20.500; and Federal Transit Formula Grants, CFDA #20.507 - Davis-Bacon Act (04-2)

We noted certain matters regarding the Council's monitoring of the Davis-Bacon Act, which requires the Council to pay prevailing wage rates not less than those established by the U.S. Department of Labor on projects funded by federal dollars. Specifically, fringe benefits, a component of total wages, were not always being checked against the federal prevailing wage rates. In addition, sufficient documentation was not available to determine if apprentice laborers were being paid at the proper federal prevailing wage rates because their experience levels were not included on contractors' and subcontractors' certified payrolls.

Resolution

During 2007, we found that: (1) fringe benefits were being considered when comparing contractors' and subcontractors' certified payrolls against the federal prevailing wage rates, and (2) the Council was maintaining sufficient documentation in the files regarding apprentice laborers.

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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*

Council Members
Metropolitan Council of the Twin Cities Area

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 26, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Metropolitan Sports Facilities Commission component unit as described in our report on the Metropolitan Council's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metropolitan Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Council'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 Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 to be a significant deficiency 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 Metropolitan Council's 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 the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains 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 Metropolitan Council complied with the material terms and conditions of applicable legal provisions.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 26, 2008

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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

Council Members
Metropolitan Council of the Twin Cities Area

Compliance

We have audited the compliance of the Metropolitan Council with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Metropolitan Council's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

The Metropolitan Council's financial statements include the operations of the Metropolitan Sports Facilities Commission component unit, which expended no federal awards during the year ended December 31, 2007. Our audit, described below, did not include the operations of the Metropolitan Sports Facilities Commission because the Commission was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Metropolitan Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Metropolitan Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Metropolitan Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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 Council'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 Council'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 Metropolitan Council's 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Council, a component unit of the State of Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 26, 2008. We did not audit the financial statements of the Metropolitan Sports Facilities Commission component unit as of and for the year ended December 31, 2007. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the Metropolitan Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 26, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Shelter Plus Care	14.238	MN46C300001	\$ 54,364	\$ -
Shelter Plus Care	14.238	MN46C400001	205,176	-
Shelter Plus Care	14.238	MN46C400026	355,541	-
Shelter Plus Care	14.238	MN46C407001	35,043	-
Shelter Plus Care	14.238	MN46C500029	316,888	-
Shelter Plus Care	14.238	MN46C501026	129,296	-
Shelter Plus Care	14.238	MN46C507005	16,035	-
Shelter Plus Care	14.238	MN46C601023	408,892	-
Shelter Plus Care	14.238	MN46C607007	50,496	-
Shelter Plus Care	14.238	MN46C901007	2,495	-
Shelter Plus Care	14.238	MN46C901008	17,644	-
Total CFDA #14.238			\$ 1,591,870	\$ -
Public and Indian Housing Program	14.850	MN16300106D	\$ 213,366	\$ -
Section 8 Housing Choice Vouchers	14.871	MN163VO/MN163FS	\$ 47,389,606	\$ -
Public Housing Capital Fund	14.872	MN46P16350106D	\$ 172,806	\$ -
Passed Through Minnesota Housing Finance Agency				
Housing Opportunities for Persons with AIDS	14.241	05-HOPWA-3536	\$ 350,369	\$ -
Housing Opportunities for Persons with AIDS	14.241	C-23762	42,180	-
Total CFDA #14.241			\$ 392,549	\$ -
Total U.S. Department of Housing and Urban Development			\$ 49,760,197	\$ -
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Highway Planning and Construction				
Congestion Mitigation/Air Quality (CMAQ)				
2004 Section 5307	20.205	MN90-X201	\$ 674,777	\$ -
Federal Transit Capital Investment Grants				
2002 Section 5309	20.500	MN-03-0057	\$ 159,620	\$ -
2000 Section 5309	20.500	MN-03-0066	2,028,744	-
1999 Section 5309	20.500	MN-03-0067	58,152	-
2001 Section 5309	20.500	MN-03-0074	126,639	-
2001 Section 5309	20.500	MN-03-0075	157,273	-
2000 - 2001 Section 5309	20.500	MN-03-0083	448,156	-
2003 Section 5309	20.500	MN-03-0085	168,041	-
2003 Section 5309	20.500	MN-03-0086	2,679	-

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

*Schedule 2
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Capital Investment Grants (Continued)				
2002 - 2005 Section 5309	20.500	MN-03-0097	10,682,122	-
2003 Section 5309	20.500	MN-03-0101	905,721	-
2003 Section 5309	20.500	MN-03-0103	474,698	-
2003 Section 5309	20.500	MN-03-0104	2,997	-
2003 - 2004 Section 5309	20.500	MN-03-0106	14,897	-
2004 - 2005 Section 5309	20.500	MN-03-0123	33,529	-
2006 Section 5309	20.500	MN-03-0200	990,606	-
2007 Section 5309	20.500	MN-03-0201	3,923,289	-
2007 Section 5309	20.500	MN-04-0010	672,469	-
2007 Section 5309	20.500	MN-95-X002	3,724,069	-
Total CFDA #20.500			\$ 24,573,701	\$ -
Federal Transit Metropolitan Planning Grants				
Central Corridor Study Grant	20.505	MN-03-0087	\$ 1,376,090	\$ -
Federal Transit Formula Grants				
2000 Section 5307	20.507	MN-90-X128	\$ 48,608	\$ -
2002 Section 5307	20.507	MN-90-X157	648,718	-
2001 Section 5307	20.507	MN-90-X159	4,889	-
2002 Section 5307	20.507	MN-90-X164	103,060	-
2002 Section 5307	20.507	MN-90-X172	74,893	-
2002 Section 5307	20.507	MN-90-X174	82,358	-
2002 Section 5307	20.507	MN-90-X177	1,718,566	-
2003 Section 5307	20.507	MN-90-X185	64,347	-
2000 Section 5307	20.507	MN-90-X189	23,328	-
2002 - 2003 Section 5307	20.507	MN-90-X190	927,916	-
2003 Section 5307	20.507	MN-90-X192	83,383	-
2004 Section 5307	20.507	MN-90-X199	39,470	-
2003 Section 5307	20.507	MN-90-X204	49,808	-
2004 Section 5307	20.507	MN-90-X208	22,160	-
2003 - 2005 Section 5307	20.507	MN-90-X215	708,796	-
2005 Section 5307	20.507	MN-90-X220	2,059,257	-
2006 Section 5307	20.507	MN-90-X222	4,477,100	-
2006 Section 5307	20.507	MN-90-X223	2,157,374	-
2005 Section 5307	20.507	MN-90-X224	1,105	-
2006 Section 5307	20.507	MN-90-X226	94,559	-
2006 Section 5307	20.507	MN-90-X230	136,237	-
2006 Section 5307	20.507	MN-90-X235	6,891,386	-
2006 Section 5307	20.507	MN-90-X238	545,716	-
2007 Section 5307	20.507	MN-90-X242	7,002,175	-
2007 Section 5307	20.507	MN-95-X001-00	2,496,086	-
2007 Section 5307	20.507	MN-95-X004-00	537,879	-
2004 Section 5307	20.507	MN-90-193	352,193	-

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct				
Federal Transit Administration				
Federal Transit Formula Grants (Continued)				
2006 Section 5307	20.507	MN-90-217	4,885,030	-
2006 Section 5307	20.507	MN-90-219	14,352	-
2005 Section 5307	20.507	MN-90-225	5,445,263	-
2006 Section 5307	20.507	MN-90-230	257,028	-
2006 Section 5307	20.507	MN-90-241	5,147,256	-
Total CFDA #20.507			\$ 47,100,296	\$ -
Job Access/Reverse Commute (JA/RC)				
2002 Section 5307	20.516	MN-37-X006	\$ 266,191	\$ 266,191
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction				
Federal Highway Administration (FHWA)				
Federal Intelligent Transportation System (ITS)				
Transit Status at Bus Shelters	20.205	87194	\$ 163,633	\$ -
Federal Transportation Administration				
Transportation Planning Grants				
Planning 2006 Section 5303	20.205 (b)	89142	3,202,606	-
Total CFDA #20.205			\$ 3,366,239	\$ -
Total U.S. Department of Transportation			\$ 77,357,294	\$ 266,191
U.S. Environmental Protection Agency				
Passed Through Minnesota Public Facilities Authority				
Capitalization Grants for Clean Water				
State Revolving Funds	66.458	MPFA-5-0040-R-FY07	\$ 7,851,962	\$ -
State Revolving Funds	66.458	MPFA-6-0018-R-FY08	28,154,850	-
Total U.S. Environmental Protection Agency			\$ 36,006,812	\$ -
U.S. Department of Health and Human Services				
Passed Through University of Minnesota				
Heart and Vascular Diseases Research				
National Institute of Health - Study	93.837	5R01-HR079478-02	\$ 1,110	\$ -
U.S. Department of Homeland Security				
Direct				
State and Local Homeland Security Exercise Support				
	97.006	MN-40-X001	\$ 408	\$ -
Passed through State of Minnesota Housing Finance Agency				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	N/A	14,479	-

METROPOLITAN COUNCIL OF THE TWIN CITIES AREA

Schedule 2
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Contract Number/ Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security (Continued)				
Passed Through Minnesota Department of Public Safety Rail and Transit Security Grant Program	97.075	2005-GB-T5-0012	526,601	-
Total U.S. Department of Homeland Security			\$ 541,488	\$ -
Total Federal Awards			\$ 163,666,901	\$ 266,191

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 Metropolitan Council. The Council's reporting entity is defined in Note 1.A. to the basic financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the Council. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis. Some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.