

GRAND VALLEY METROPOLITAN COUNCIL

FINANCIAL STATEMENTS

September 30, 2005 and 2004

GRAND VALLEY METROPOLITAN COUNCIL
Grand Rapids, Michigan

FINANCIAL STATEMENTS
September 30, 2005 and 2004

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Member Representatives
Grand Valley Metropolitan Council
Grand Rapids, Michigan

We have audited the government funds balance sheets/statements of net assets of Grand Valley Metropolitan Council ("Council") as of September 30, 2005 and 2004 and the related statements of government funds revenues and expenses and changes in fund balances/statements of activities and budgetary comparison statements - general fund and REGIS fund, for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

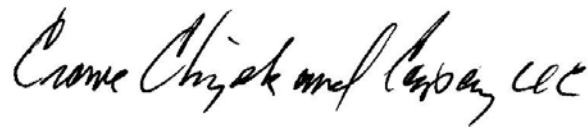
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2005 and 2004 and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2005 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 5 and the Budgetary Comparison Statements on pages 15 through 18 are not a required part of the basic financial statements but is supplementary information required by the Accounting Principles Generally Accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Crowe Chizek and Company LLC". The signature is written in a cursive, flowing style.

Crowe Chizek and Company LLC

Grand Rapids, Michigan
November 8, 2005

GRAND VALLEY METROPOLITAN COUNCIL
MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2005 and 2004

This section of the Grand Valley Metropolitan Council ("Council") financial report provides a discussion and analysis of the financial performance during the year ended September 30, 2005. Please read it in conjunction with the accompanying financial statements and footnotes which immediately follow this section.

Financial Highlights

General Fund Activities

Total fund balance for the General Fund decreased \$108,631 which represents a 21.5% decrease from year-end 2004. Revenues in 2005 decreased \$142,640 or 7.5% since 2004 with the decrease attributed to completion of some short-term projects and also reduced requirements for the Stormwater Project. The revenue decrease was coupled with a decrease in expenses of \$64,124 with the largest part of this decrease related to the unfilled staff positions.

REGIS Fund Activities

Total fund balance for the REGIS Fund, which is where the Regional Geographic Information System ("REGIS") activities are recorded, increased by \$434,641, which represents a 79.0% increase from year-end 2004. Revenues for the REGIS Fund decreased by \$168,461, which is a decrease of 12.9% from fiscal year 2004. The majority of this decrease was the result of the reduction of the fees charged to the member units. In addition, expenses decreased \$833,091 from fiscal year 2004 which represent the planned cost savings of the positions in the REGIS Department which remained vacant pending the selection of a Director for the REGIS Department.

Overview of the Financial Statements

The Council is an alliance of governmental units in the Grand Rapids metropolitan area. Appointed representatives plan and implement programs for the growth and development, improvement of the quality of community life and coordination of governmental services for the participating member municipalities.

Within the General Fund, the Council has the following departments:

Land Use Planning: The land use department is taking the lead in regional land use and community planning and maintains a population and land use library and data center for planners, builders and others. Funding sources include membership fees and state and local grants.

Transportation: The Council is the Metropolitan Planning Organization (MPO) for the Greater Grand Rapids area and provides short and long-range planning for all modes of transportation. Funding for these projects comes from a portion of the membership fees and various federal grants.

GRAND VALLEY METROPOLITAN COUNCIL
MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2005 and 2004

The REGIS Fund of the Council includes:

REGIS is an ongoing initiative to provide a common digitized database of the demographic, infrastructure and other spatial needs of the member participants. The source of funding for REGIS is from formula-based participant contributions which have decreased over the past two years. Membership contributions were reduced again in 2005 to ease the burden to our members resulting from state and local budget cuts.

Financial Analysis of Grand Valley Metropolitan Council

Net Assets

The net assets of the Council were \$1,578,630 at September 30, 2005 which represents a 24.4% increase from year-end 2004. Total assets increased by \$155,828 and total liabilities decreased by \$153,511.

| | <u>2005</u> | <u>2004</u> |
|-------------|---------------------|---------------------|
| Assets | \$ 1,845,774 | \$ 1,689,946 |
| Liabilities | <u>267,144</u> | <u>420,655</u> |
| Net assets | <u>\$ 1,578,630</u> | <u>\$ 1,269,291</u> |

Change in Net Assets

Net assets increased \$309,339 for year ended September 30, 2005, compared to a decrease in net assets of \$351,688 for the year 2004. The primary reason for the change was the planned cost savings of the vacant positions in the REGIS Department.

| | For the year | |
|----------------------|-------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Revenues | \$ 2,892,327 | \$ 3,142,324 |
| Expenses | <u>2,582,988</u> | <u>3,494,012</u> |
| Change in net assets | <u>\$ 309,339</u> | <u>\$ (351,688)</u> |

Capital Assets and Debt Administration

The Council does not have significant capital asset needs. It does not own any buildings. Property and equipment includes office furniture and equipment and computer hardware and software. The change in property and equipment for year-end 2005 from 2004 is attributed to \$50,634 expenditures for computer hardware and depreciation expense of \$59,463.

The Council has no debt.

Economic and other Factors

The Council is very mindful of the sluggish economy, and the continuing cutbacks on the state level, and the effect it is having on the Council's membership. Accordingly, the Council is making every possible effort to provide the same level of services to members with no increase in cost. The Council's staff carefully monitors all expenditures to determine the necessity, as well as pursuing other possible sources of revenue.

Contacting the Grand Valley Metropolitan Council's Financial Management

This financial report is designed to provide our members and the citizens with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives and administers. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Grand Valley Metropolitan Council, 40 Pearl Street, N.W., Suite 410, Grand Rapids, MI 49503.

GRAND VALLEY METROPOLITAN COUNCIL
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
September 30, 2005

| | <u>General</u> <u>Fund</u> | <u>REGIS</u> <u>Fund</u> | <u>Total</u> | <u>Reclassifications</u> | <u>Statement of</u> <u>Net Assets</u> |
|---|-------------------------------|-----------------------------|---------------------|--------------------------|--|
| ASSETS | | | | | |
| Cash and cash equivalents (Note 2) | \$ 182,749 | \$ 1,015,937 | \$ 1,198,686 | \$ - | \$ 1,198,686 |
| Accounts receivable (Note 4) | 395,776 | 9,661 | 405,437 | 74,616 | 480,053 |
| Prepaid expenses | 9,233 | 5,303 | 14,536 | - | 14,536 |
| Property and equipment - net (Note 5) | <u>-</u> | <u>-</u> | <u>-</u> | <u>152,499</u> | <u>152,499</u> |
| | <u>\$ 587,758</u> | <u>\$ 1,030,901</u> | <u>\$ 1,618,659</u> | <u>\$ 227,115</u> | 1,845,774 |
| LIABILITIES AND FUND BALANCES/NET ASSETS | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 144,042 | \$ 42,905 | \$ 186,947 | \$ - | 186,947 |
| Accrued compensation and withholdings | 24,416 | 3,232 | 27,648 | 29,872 | 57,520 |
| Deferred revenue | <u>22,677</u> | <u>-</u> | <u>22,677</u> | <u>-</u> | <u>22,677</u> |
| Total liabilities | 191,135 | 46,137 | 237,272 | 29,872 | 267,144 |
| Fund balances | | | | | |
| Unreserved | <u>396,623</u> | <u>984,764</u> | <u>1,381,387</u> | <u>(1,381,387)</u> | |
| | <u>\$ 587,758</u> | <u>\$ 1,030,901</u> | <u>\$ 1,618,659</u> | | |
| Net assets | | | | | |
| Invested in property and equipment | | | | 152,499 | 152,499 |
| Unrestricted | | | | <u>1,426,131</u> | <u>1,426,131</u> |
| | | | | <u>\$ 227,115</u> | <u>\$ 1,578,630</u> |

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
September 30, 2004

| | General Fund | REGIS Fund | Total | Reclassifications | Statement of Net Assets |
|---|-------------------|-------------------|---------------------|--------------------|----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents (Note 2) | \$ 510,283 | \$ 535,169 | \$ 1,045,452 | \$ - | \$ 1,045,452 |
| Accounts receivable (Note 4) | 284,637 | 113,193 | 397,830 | 78,035 | 475,865 |
| Prepaid expenses | 4,684 | 2,617 | 7,301 | - | 7,301 |
| Property and equipment - net (Note 5) | <u>-</u> | <u>-</u> | <u>-</u> | <u>161,328</u> | <u>161,328</u> |
| | <u>\$ 799,604</u> | <u>\$ 650,979</u> | <u>\$ 1,450,583</u> | <u>\$ 239,363</u> | 1,689,946 |
| LIABILITIES AND FUND BALANCES/NET ASSETS | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 183,369 | \$ 84,265 | \$ 267,634 | \$ - | 267,634 |
| Accrued compensation and withholdings | 41,558 | 16,591 | 58,149 | 25,449 | 83,598 |
| Deferred revenue | <u>69,423</u> | <u>-</u> | <u>69,423</u> | <u>-</u> | <u>69,423</u> |
| Total liabilities | 294,350 | 100,856 | 395,206 | 25,449 | 420,655 |
| Fund balances | | | | | |
| Unreserved | <u>505,254</u> | <u>550,123</u> | <u>1,055,377</u> | <u>(1,055,377)</u> | |
| | <u>\$ 799,604</u> | <u>\$ 650,979</u> | <u>\$ 1,450,583</u> | | |
| Net assets | | | | | |
| Invested in property and equipment | | | | 161,328 | 161,328 |
| Unrestricted | | | | <u>1,107,963</u> | <u>1,107,963</u> |
| | | | | <u>\$ 239,363</u> | <u>\$ 1,269,291</u> |

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
 STATEMENTS OF GOVERNMENT FUNDS REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCE/STATEMENTS OF ACTIVITIES
 Years ended September 30, 2005 and 2004

| | 2005 | | | | | 2004 | | | | |
|---|-------------------|-------------------|---------------------|-------------------|-------------------------|-------------------|-------------------|---------------------|-------------------|-------------------------|
| | General Fund | REGIS Fund | Fund | Reclassifications | Statement of Net Assets | General Fund | REGIS Fund | Total | Reclassifications | Statement of Net Assets |
| Revenues | | | | | | | | | | |
| Federal grants | \$ 863,072 | \$ - | \$ 863,072 | \$ (3,419) | \$ 859,653 | \$ 827,640 | \$ - | \$ 827,640 | \$ (64,523) | \$ 763,117 |
| State and local grants | 344,430 | 17,000 | 361,430 | - | 361,430 | 409,415 | 17,000 | 426,415 | - | 426,415 |
| Membership and project fees (Note 3) | 351,756 | 1,085,680 | 1,437,436 | - | 1,437,436 | 354,956 | 1,250,927 | 1,605,883 | - | 1,605,883 |
| Westrain activities | 75,573 | - | 75,573 | - | 75,573 | 100,800 | - | 100,800 | - | 100,800 |
| Lower Grand project fees | - | - | - | - | - | 70,692 | - | 70,692 | - | 70,692 |
| Kent County Land Use | 49,988 | - | 49,988 | - | 49,988 | 50,008 | - | 50,008 | - | 50,008 |
| UCB Land Use | 40,000 | - | 40,000 | - | 40,000 | 40,000 | - | 40,000 | - | 40,000 |
| UCB Natural Resource | - | - | - | - | - | 25,000 | - | 25,000 | - | 25,000 |
| Donations | 9,030 | - | 9,030 | - | 9,030 | 12,380 | - | 12,380 | - | 12,380 |
| Interest and other income | 26,270 | 32,947 | 59,217 | - | 59,217 | 11,868 | 36,161 | 48,029 | - | 48,029 |
| | <u>1,760,119</u> | <u>1,135,627</u> | <u>2,895,746</u> | <u>(3,419)</u> | <u>2,892,327</u> | <u>1,902,759</u> | <u>1,304,088</u> | <u>3,206,847</u> | <u>(64,523)</u> | <u>3,142,324</u> |
| Expenses | | | | | | | | | | |
| Contracted services | 771,650 | 110,417 | 882,067 | - | 882,067 | 734,764 | 823,841 | 1,558,605 | - | 1,558,605 |
| Salaries | 611,242 | 315,089 | 926,331 | 4,423 | 930,754 | 636,604 | 399,173 | 1,035,777 | (4,622) | 1,031,155 |
| Fringe benefits | 217,337 | 118,335 | 335,672 | - | 335,672 | 234,372 | 156,542 | 390,914 | - | 390,914 |
| Professional fees | - | - | - | - | - | 3,950 | - | 3,950 | - | 3,950 |
| Legal services | 1,409 | 1,632 | 3,041 | - | 3,041 | 9,560 | 1,078 | 10,638 | - | 10,638 |
| Audit fees | 10,400 | 2,625 | 13,025 | - | 13,025 | 13,440 | 3,100 | 16,540 | - | 16,540 |
| Advertising | 4,704 | 1,509 | 6,213 | - | 6,213 | 1,732 | - | 1,732 | - | 1,732 |
| Insurance | 5,680 | 4,777 | 10,457 | - | 10,457 | 6,900 | 3,682 | 10,582 | - | 10,582 |
| Meetings | 45,084 | 625 | 45,709 | - | 45,709 | 43,035 | 1,149 | 44,184 | - | 44,184 |
| Dues and subscriptions | 3,556 | - | 3,556 | - | 3,556 | 7,283 | 495 | 7,778 | - | 7,778 |
| Equipment rental | 4,715 | 3,596 | 8,311 | - | 8,311 | 7,461 | 4,061 | 11,522 | - | 11,522 |
| Office supplies | 7,638 | 4,076 | 11,714 | - | 11,714 | 8,875 | 4,720 | 13,595 | - | 13,595 |
| Mileage | 14,263 | 746 | 15,009 | - | 15,009 | 16,060 | 3,041 | 19,101 | - | 19,101 |
| Postage | 4,987 | 485 | 5,472 | - | 5,472 | 6,953 | 1,270 | 8,223 | - | 8,223 |
| Printing | 511 | 34 | 545 | - | 545 | 644 | - | 644 | - | 644 |
| Electricity | 5,643 | 3,501 | 9,144 | - | 9,144 | 4,599 | 4,792 | 9,391 | - | 9,391 |
| Telephone | 4,759 | 7,599 | 12,358 | - | 12,358 | 5,798 | 11,851 | 17,649 | - | 17,649 |
| Professional development | 6,964 | 22,465 | 29,429 | - | 29,429 | 7,466 | 34,818 | 42,284 | - | 42,284 |
| Rent | 56,203 | 40,147 | 96,350 | - | 96,350 | 40,012 | 45,559 | 85,571 | - | 85,571 |
| Repairs and maintenance | 5,223 | 5,015 | 10,238 | - | 10,238 | 3,430 | 2,644 | 6,074 | - | 6,074 |
| Office equipment | 833 | 57,803 | 58,636 | (50,634) | 8,002 | - | 32,261 | 32,261 | (32,261) | - |
| Depreciation | | | | 59,463 | 59,463 | | | | 63,944 | 63,944 |
| Westrain activities | 84,000 | - | 84,000 | - | 84,000 | 102,884 | - | 102,884 | - | 102,884 |
| Member fee rebate | - | - | - | - | - | 35,002 | - | 35,002 | - | 35,002 |
| Miscellaneous | 1,949 | 510 | 2,459 | - | 2,459 | 2,050 | - | 2,050 | - | 2,050 |
| | <u>1,868,750</u> | <u>700,986</u> | <u>2,569,736</u> | <u>13,252</u> | <u>2,582,988</u> | <u>1,932,874</u> | <u>1,534,077</u> | <u>3,466,951</u> | <u>27,061</u> | <u>3,494,012</u> |
| Revenue over (under) expenses | (108,631) | 434,641 | 326,010 | (326,010) | - | (30,115) | (229,989) | (260,104) | 260,104 | - |
| Change in net assets | - | - | - | 309,339 | 309,339 | - | - | - | (351,688) | (351,688) |
| Fund balances/net assets - at beginning of year (as restated) | <u>505,254</u> | <u>550,123</u> | <u>1,055,377</u> | <u>-</u> | <u>1,269,291</u> | <u>535,369</u> | <u>780,112</u> | <u>1,315,481</u> | <u>-</u> | <u>1,620,979</u> |
| Fund balances/net assets - at end of year | <u>\$ 396,623</u> | <u>\$ 984,764</u> | <u>\$ 1,381,387</u> | <u>\$ -</u> | <u>\$ 1,578,630</u> | <u>\$ 505,254</u> | <u>\$ 550,123</u> | <u>\$ 1,055,377</u> | <u>\$ -</u> | <u>\$ 1,269,291</u> |

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Council is a voluntary association of municipal entities located throughout West Michigan. It was incorporated in 1990 under Public Act (PA) No. 292 of the Michigan Public Acts of 1989. The Council develops and implements plans designed to manage area growth, improve quality of life, promote social well-being and promote cooperation between municipal entities within the Council area.

Government-wide and Fund Financial Statements: The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Member fees are recognized in the year charged. Project fees are recorded when received.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for compensated absences which are recorded only when payment is made.

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council only uses governmental funds. Government funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

(Continued)

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting: The Council uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Council utilizes two general funds. The general fund is a governmental fund used to account for all of the Council's general activities. The REGIS fund is a government fund used to account for the activities of the Regional Geographic Information System ("REGIS").

Budgets: The Council annually adopts a budget for both its general and REGIS funds by October 1. In the event the budget needs to be amended, a majority of the voting members must approve the amended budget in a regular Council meeting.

In addition, the Council, under Michigan Public Act 2 (MCL 141.421-141.440a.), is required to adopt and maintain their financial statements, budgets and appropriations acts consistent with the Uniform Chart of Accounts.

Cash and Cash Equivalents: Cash equivalents represent money market funds with a maturity of less than three months from date of purchase.

Accounts Receivable: Accounts receivable includes amounts billed or billable to customers, net of an allowance for uncollectible amounts. No interest is charged on receivables. Management establishes an allowance for losses based on historical loss experience, knowledge of specific borrower situations and current economic conditions. Losses are written off, to the allowance, when management determines that further collection efforts will not produce additional recoveries. As of September 30, 2005 and 2004, no allowance was necessary.

Property and Equipment: Property and equipment are recorded at cost for purchased assets and at estimated fair market value on the date received for donated assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all property and equipment is charged to an expense against operations. Depreciation has been provided using the straight-line method over the average service life of the property, from five to seven years.

Donations and In-Kind Revenue: Assets and services provided to the Council at no charge or less than fair market value are recorded as income and expense at fair market value.

(Continued)

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Council is a governmental corporation, and is exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2005 and 2004, the carrying amount of cash was \$1,154,601 and \$1,002,331, respectively. Of the bank balances, \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances of \$1,054,601 and \$902,331 were not collateralized at September 30, 2005 and 2004, respectively.

Investments: At September 30, 2005 and 2004, the Council's investments were as follows:

| | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|
| LaSalle Bank - Public Funds Investment Trust | \$ 44,085 | \$ 43,121 |

Credit Risk: The Council investment policy limits the investments in mutual funds to funds composed of investments which are legal for direct investments by local units of government in Michigan. It's investment in the Public Funds Investment Trust meet this requirement.

NOTE 3 - MEMBERSHIP FEES

The Council may require member units to pay annual membership fees as permitted by Act No. 292 of the Michigan Public Acts of 1989. Under the terms of the Act, membership fees are calculated on the basis of member representation and are due and payable October 1 of each year.

(Continued)

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

| | <u>General Fund</u> | | <u>REGIS Fund</u> | |
|------------------------------|---------------------|-------------------|-------------------|-------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Federal Government | | | | |
| Department of Transportation | \$ 382,921 | \$ 129,482 | \$ - | \$ - |
| Receivables due from members | <u>12,855</u> | <u>155,155</u> | <u>9,661</u> | <u>113,193</u> |
| | <u>\$ 395,776</u> | <u>\$ 284,637</u> | <u>\$ 9,661</u> | <u>\$ 113,193</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2005 and 2004:

| | -----September 30, 2005----- | | | |
|--|------------------------------|-------------------|--------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
| <u>General Fund</u> | | | | |
| Cost | | | | |
| Furniture and fixtures | \$ 60,475 | \$ - | \$ - | \$ 60,475 |
| Equipment | 58,660 | - | - | 58,660 |
| Computers | <u>79,245</u> | <u>-</u> | <u>-</u> | <u>79,245</u> |
| | 198,380 | - | - | 198,380 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | 60,295 | 90 | - | 60,385 |
| Equipment | 52,558 | 2,701 | - | 55,259 |
| Computers | <u>61,278</u> | <u>7,923</u> | <u>-</u> | <u>69,201</u> |
| | <u>174,131</u> | <u>10,714</u> | <u>-</u> | <u>184,845</u> |
| Total General Fund property and equipment - net | 24,249 | (10,714) | - | 13,535 |
| <u>REGIS Fund</u> | | | | |
| Cost | | | | |
| Furniture and fixtures | 35,531 | - | - | 35,531 |
| Equipment | 13,816 | - | - | 13,816 |
| Computers | <u>210,734</u> | <u>50,634</u> | <u>-</u> | <u>261,368</u> |
| | 260,081 | 50,634 | - | 310,715 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | 22,771 | 5,076 | - | 27,847 |
| Equipment | 8,431 | 2,382 | - | 10,813 |
| Computers | <u>91,800</u> | <u>41,291</u> | <u>-</u> | <u>133,091</u> |
| | <u>123,002</u> | <u>48,749</u> | <u>-</u> | <u>171,751</u> |
| Total REGIS Fund property and equipment - net | <u>137,079</u> | <u>1,885</u> | <u>-</u> | <u>138,964</u> |
| Property and equipment - net | <u>\$ 161,328</u> | <u>\$ (8,829)</u> | <u>\$ -</u> | <u>\$ 152,499</u> |

(Continued)

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

| | September 30, 2004 | | | |
|--|----------------------|-------------|-------------|-------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| <u>General Fund</u> | | | | |
| Cost | | | | |
| Furniture and fixtures | \$ 60,475 | \$ - | \$ - | \$ 60,475 |
| Equipment | 58,660 | - | - | 58,660 |
| Computers | 77,589 | 1,656 | - | 79,245 |
| | 196,724 | 1,656 | - | 198,380 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | 59,212 | 1,083 | - | 60,295 |
| Equipment | 49,740 | 2,818 | - | 52,558 |
| Computers | 47,995 | 13,283 | - | 61,278 |
| | 156,947 | 17,184 | - | 174,131 |
| Total General Fund property and equipment - net | 39,777 | (15,528) | - | 24,249 |
| <u>REGIS Fund</u> | | | | |
| Cost | | | | |
| Furniture and fixtures | 35,531 | - | - | 35,531 |
| Equipment | 13,816 | - | - | 13,816 |
| Computers | 178,473 | 32,261 | - | 210,734 |
| | 227,820 | 32,261 | - | 260,081 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | 17,695 | 5,076 | - | 22,771 |
| Equipment | 5,668 | 2,763 | - | 8,431 |
| Computers | 52,879 | 38,921 | - | 91,800 |
| | 76,242 | 46,760 | - | 123,002 |
| Total REGIS Fund property and equipment - net | 151,578 | (14,499) | - | 137,079 |
| Property and equipment - net | \$ 191,355 | \$ (30,027) | \$ - | \$ 161,328 |

NOTE 6 - PENSION PLAN

The Council has a money purchase retirement plan based on Section 401(a) of the Internal Revenue Code. While participation is voluntary, participants are required to contribute 3% of eligible wages on a pre-tax basis. Employer contributions to participant accounts are based on 9% of each participant's eligible wages. Covered and total payroll was \$985,978 and \$1,000,261 for the year ended September 30, 2005 and \$1,063,473 and \$1,077,414 for the year ended September 30, 2004. Employer contributions to the retirement plan were \$88,738 and \$96,025 for the years ended September 30, 2005 and 2004, respectively.

(Continued)

GRAND VALLEY METROPOLITAN COUNCIL
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 7 - LEASES

The Council leases office space under a lease agreement expiring December 31, 2008, with an option to renew an additional five years. Rent expense for the office lease for the years ended September 30, 2005 and 2004 was \$96,350 and \$85,571, respectively.

The Council leases office equipment under various lease terms. Equipment rental expense for the years ended September 30, 2005 and 2004 was \$8,311 and \$11,522, respectively.

Minimum future lease payments under operating leases as of September 30 are as follows:

| | |
|------|--------------------|
| 2006 | \$ 101,740 |
| 2007 | 101,740 |
| 2008 | 99,483 |
| 2009 | 23,464 |
| 2010 | <u> -</u> |
| | <u>\$ 326,427</u> |

NOTE 8 - PRIOR PERIOD ADJUSTMENTS

Certain errors resulting in the overstatement of assets, liabilities, and fund balance in the Council's September 30, 2004 and 2003 financial statements have been corrected in the current year. This resulted in the following changes to the fund balances as of September 30, 2004 and 2003:

| | <u>2004</u> | <u>2003</u> |
|--|-------------------|-------------------|
| <u>General Fund</u> | | |
| Fund balance at September 30, as previously report | \$ 588,475 | \$ 695,272 |
| Adjustments | | |
| Accounts receivable | (78,035) | (144,214) |
| Property and equipment | (24,249) | (39,777) |
| Compensated absences | <u>19,063</u> | <u>24,088</u> |
| Fund balance at September 30, as restated | <u>\$ 505,254</u> | <u>\$ 535,369</u> |
| <u>REGIS Fund</u> | | |
| Fund balance at September 30, as previously report | \$ 680,816 | \$ 925,707 |
| Adjustments | | |
| Property and equipment | (137,079) | (151,578) |
| Compensated absences | <u>6,386</u> | <u>5,983</u> |
| Fund balance at September 30, as restated | <u>\$ 550,123</u> | <u>\$ 780,112</u> |

SUPPLEMENTAL INFORMATION

GRAND VALLEY METROPOLITAN COUNCIL
 BUDGETARY COMPARISON STATEMENT - GENERAL FUND
 Year ended September 30, 2005

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Final Budget - Actual Variance</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Federal grants | \$ 1,317,000 | \$ 1,317,000 | \$ 863,072 | \$ (453,928) |
| State and local grants | 77,490 | 361,995 | 344,430 | (17,565) |
| Membership fees (Note 3) | 351,756 | 351,756 | 351,756 | - |
| Westrain activities | | 90,000 | 75,573 | (14,427) |
| Kent County Land Use | 49,710 | 49,710 | 49,988 | 278 |
| UCB Land Use | 65,000 | 40,000 | 40,000 | - |
| Donations | 4,000 | 4,000 | 9,030 | 5,030 |
| Interest income | 9,000 | 17,000 | 26,270 | 9,270 |
| | <u>1,873,956</u> | <u>2,231,461</u> | <u>1,760,119</u> | <u>(471,342)</u> |
| Expenses | | | | |
| Contracted services | 779,161 | 1,224,186 | 771,650 | 452,536 |
| Salaries | 652,142 | 652,142 | 611,242 | 40,900 |
| Fringe benefits | 233,030 | 233,030 | 217,337 | 15,693 |
| Professional fees | 4,000 | 2,300 | - | 2,300 |
| Legal services | 3,500 | 3,500 | 1,409 | 2,091 |
| Audit fees | 12,000 | 12,000 | 10,400 | 1,600 |
| Advertising | 3,500 | 5,500 | 4,704 | 796 |
| Insurance | 7,000 | 8,100 | 5,680 | 2,420 |
| Meetings | 49,000 | 49,000 | 45,084 | 3,916 |
| Dues and subscriptions | 9,850 | 9,850 | 3,556 | 6,294 |
| Equipment rental | 7,990 | 6,990 | 4,715 | 2,275 |
| Office supplies | 10,500 | 9,000 | 7,638 | 1,362 |
| Mileage | 15,000 | 17,500 | 14,263 | 3,237 |
| Postage | 8,500 | 8,100 | 4,987 | 3,113 |
| Printing | 1,550 | 1,950 | 511 | 1,439 |
| Electricity | 6,850 | 7,150 | 5,643 | 1,507 |
| Telephone | 7,300 | 7,300 | 4,759 | 2,541 |
| Professional development | 9,500 | 7,250 | 6,964 | 286 |
| Rent | 58,825 | 58,825 | 56,203 | 2,622 |
| Office equipment | 1,300 | 18,550 | 833 | 17,717 |
| Repairs and maintenance | 3,200 | 3,600 | 5,223 | (1,623) |
| Westrain activities | - | 90,000 | 84,000 | 6,000 |
| Miscellaneous | 2,000 | 2,000 | 1,949 | 51 |
| | <u>1,885,698</u> | <u>2,437,823</u> | <u>1,868,750</u> | <u>569,073</u> |
| Revenues over (under) expenses | (11,742) | (206,362) | (108,631) | 97,731 |
| Fund balance - at beginning of year (as restated) | <u>505,254</u> | <u>505,254</u> | <u>505,254</u> | <u>-</u> |
| Fund balance - at end of year | <u>\$ 493,512</u> | <u>\$ 298,892</u> | <u>\$ 396,623</u> | <u>\$ 97,731</u> |

GRAND VALLEY METROPOLITAN COUNCIL
 BUDGETARY COMPARISON STATEMENT - GENERAL FUND
 Year ended September 30, 2004

| | <u>Budget</u> ⁽¹⁾ | <u>Actual</u> | <u>Variance</u> |
|---|------------------------------|-------------------|-------------------|
| Revenues | | | |
| Federal grants | \$ 1,287,002 | \$ 827,640 | \$ (459,362) |
| State and local grants | 476,500 | 409,415 | (67,085) |
| Membership fees (Note 3) | 351,756 | 354,956 | 3,200 |
| Westrain activities | - | 100,800 | 100,800 |
| Lower Grand project fees | 70,700 | 70,692 | (8) |
| Kent County Land Use | 100,000 | 50,008 | (49,992) |
| UCB Land Use | 40,000 | 40,000 | - |
| UCB Natural Resource | 25,000 | 25,000 | - |
| Donations | 1,000 | 12,380 | 11,380 |
| Interest income | 11,000 | 11,868 | 868 |
| | <u>2,362,958</u> | <u>1,902,759</u> | <u>(460,199)</u> |
| Expenses | | | |
| Contracted services | 1,236,000 | 734,764 | 501,236 |
| Salaries | 613,983 | 636,604 | (22,621) |
| Fringe benefits | 235,851 | 234,372 | 1,479 |
| Professional fees | 57,000 | 3,950 | 53,050 |
| Legal services | 5,000 | 9,560 | (4,560) |
| Audit fees | 10,500 | 13,440 | (2,940) |
| Advertising | 7,500 | 1,732 | 5,768 |
| Insurance | 6,500 | 6,900 | (400) |
| Meetings | 61,700 | 43,035 | 18,665 |
| Dues and subscriptions | 7,850 | 7,283 | 567 |
| Equipment rental | 6,500 | 7,461 | (961) |
| Office supplies | 11,500 | 8,875 | 2,625 |
| Mileage | 17,500 | 16,060 | 1,440 |
| Postage | 7,000 | 6,953 | 47 |
| Printing | 2,100 | 644 | 1,456 |
| Electricity | 6,600 | 4,599 | 2,001 |
| Telephone | 5,700 | 5,798 | (98) |
| Professional development | 25,000 | 7,466 | 17,534 |
| Rent | 45,000 | 40,012 | 4,988 |
| Office equipment | 13,000 | - | 13,000 |
| Repairs and maintenance | 5,500 | 3,430 | 2,070 |
| Westrain activities | - | 102,884 | (102,884) |
| Member fee rebate | - | 35,002 | (35,002) |
| Miscellaneous | 1,900 | 2,050 | (150) |
| | <u>2,389,184</u> | <u>1,932,874</u> | <u>456,310</u> |
| Revenues over (under) expenses | (26,226) | (30,115) | (3,889) |
| Fund balance - at beginning of year (as restated) | <u>535,369</u> | <u>535,369</u> | <u> </u> |
| Fund balance - at end of year | <u>\$ 509,143</u> | <u>\$ 505,254</u> | <u>\$ (3,889)</u> |

(1) Original and final budget

GRAND VALLEY METROPOLITAN COUNCIL
 BUDGETARY COMPARISON STATEMENT - REGIS FUND
 Year ended September 30, 2005

| | <u>Budget</u> ⁽¹⁾ | <u>Actual</u> | <u>Variance</u> |
|---|------------------------------|-------------------|-------------------|
| Revenues | | | |
| Grants | \$ 17,000 | \$ 17,000 | \$ - |
| Project fees | 1,085,680 | 1,085,680 | - |
| Other income | <u>10,000</u> | <u>32,947</u> | <u>22,947</u> |
| | 1,112,680 | 1,135,627 | 22,947 |
| Expenses | | | |
| Contracted services | 218,630 | 110,417 | 108,213 |
| Salaries | 405,000 | 315,089 | 89,911 |
| Fringes | 162,000 | 118,335 | 43,665 |
| Professional fees | 40,000 | - | 40,000 |
| Legal services | 3,000 | 1,632 | 1,368 |
| Audit | 3,500 | 2,625 | 875 |
| Advertising | 1,000 | 1,509 | (509) |
| Insurance | 5,000 | 4,777 | 223 |
| Meetings | 1,500 | 625 | 875 |
| Dues and subscriptions | 1,000 | - | 1,000 |
| Equipment rental | 3,000 | 3,596 | (596) |
| Office supplies | 7,000 | 4,076 | 2,924 |
| Mileage | 3,000 | 746 | 2,254 |
| Postage | 2,000 | 485 | 1,515 |
| Printing | 300 | 34 | 266 |
| Electricity | 5,750 | 3,501 | 2,249 |
| Telephone | 17,000 | 7,599 | 9,401 |
| Professional development | 25,000 | 22,465 | 2,535 |
| Rent | 52,000 | 40,147 | 11,853 |
| Office equipment | 127,000 | 57,803 | 69,197 |
| Repairs and maintenance | 2,000 | 5,015 | (3,015) |
| Miscellaneous | <u>1,000</u> | <u>510</u> | <u>490</u> |
| | <u>1,085,680</u> | <u>700,986</u> | <u>384,694</u> |
| Revenue over expenses | 27,000 | 434,641 | 407,641 |
| Fund balance - at beginning of year (as restated) | <u>550,123</u> | <u>550,123</u> | <u>-</u> |
| Fund balance - at end of year | <u>\$ 577,123</u> | <u>\$ 984,764</u> | <u>\$ 407,641</u> |

(1) Original and final budget

GRAND VALLEY METROPOLITAN COUNCIL
 BUDGETARY COMPARISON STATEMENT - REGIS FUND
 Year ended September 30, 2004

| | <u>Budget</u> ⁽¹⁾ | <u>Actual</u> | <u>Variance</u> |
|---|------------------------------|-------------------|---------------------|
| Revenues | | | |
| Grants | \$ 17,000 | \$ 17,000 | \$ - |
| Project fees | 1,564,750 | 1,250,927 | (313,823) |
| Other income | <u>7,250</u> | <u>36,161</u> | <u>28,911</u> |
| | 1,589,000 | 1,304,088 | (284,912) |
| Expenses | | | |
| Contracted services | 444,100 | 823,841 | (379,741) |
| Salaries | 445,147 | 399,173 | 45,974 |
| Fringes | 143,500 | 156,542 | (13,042) |
| Professional fees | 75,000 | - | 75,000 |
| Legal services | 10,000 | 1,078 | 8,922 |
| Audit | 3,000 | 3,100 | (100) |
| Advertising | 1,000 | - | 1,000 |
| Insurance | 5,000 | 3,682 | 1,318 |
| Meetings | 3,000 | 1,149 | 1,851 |
| Dues and subscriptions | 1,000 | 495 | 505 |
| Equipment rental | 3,000 | 4,061 | (1,061) |
| Office supplies | 10,000 | 4,720 | 5,280 |
| Mileage | 5,000 | 3,041 | 1,959 |
| Postage | 5,000 | 1,270 | 3,730 |
| Printing | 500 | - | 500 |
| Electricity | 5,500 | 4,792 | 708 |
| Telephone | 16,000 | 11,851 | 4,149 |
| Professional development | 40,000 | 34,818 | 5,182 |
| Rent | 62,000 | 45,559 | 16,441 |
| Office equipment | 118,000 | 32,261 | 85,739 |
| Repairs and maintenance | 3,000 | 2,644 | 356 |
| Miscellaneous | <u>1,000</u> | <u>-</u> | <u>1,000</u> |
| | <u>1,399,747</u> | <u>1,534,077</u> | <u>(134,330)</u> |
| Revenue over (under) expenses | 189,253 | (229,989) | (419,242) |
| Fund balance - at beginning of year (as restated) | <u>780,112</u> | <u>780,112</u> | <u>-</u> |
| Fund balance - at end of year | <u>\$ 969,365</u> | <u>\$ 550,123</u> | <u>\$ (419,242)</u> |

(1) Original and final budget

GRAND VALLEY METROPOLITAN COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended September 30, 2005

| Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| Federal Highway Administration | | |
| Passed-through Michigan Department of Transportation | | |
| Pavement Management System Development | 20.205 | \$ 102,856 |
| Grand Rapids Urbanized Area Section 112 | 20.205 | 420,337 |
| Congestion Mitigation/Air Quality Ozone Action Program | 20.205 | 60,378 |
| FTA Section of Planning Funds Section 8 | 20.205 | 116,082 |
| State Planning and Research | 20.205 | <u>160,000</u> |
| | | <u>\$ 859,653</u> |

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Grand Valley Metropolitan Council and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts in this Schedule may differ from the amounts presented in the financial statements.



Crowe Chizek and Company LLC
Member Horwath International

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

To the Member Representatives
Grand Valley Metropolitan Council
Grand Rapids, Michigan

We have audited the financial statements of Grand Valley Metropolitan Council (the Council) as of and for the year ended September 30, 2005, and have issued our report thereon dated November 8, 2005. 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 Council's 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Grand Rapids, Michigan
November 8, 2005



Crowe Chizek and Company LLC
Member Horwath International

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

To the Member Representatives
Grand Valley Metropolitan Council
Grand Rapids, Michigan

Compliance

We have audited the compliance of Grand Valley Metropolitan Council (“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 its major federal programs for the year ended September 30, 2005. The 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.

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 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.

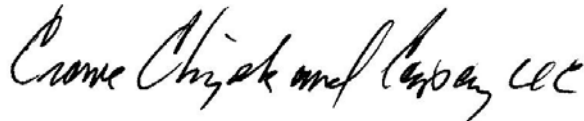
In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of the 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 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 caused by error or fraud 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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the member representatives, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Chizek and Company LLC

Grand Rapids, Michigan
November 8, 2005

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2005

1. Summary of Auditor's Results:

- a. An unqualified opinion was issued on the financial statements of Grand Valley Metropolitan Council for the year ended September 30, 2005.
- b. The audit disclosed no instances of noncompliance that are material to the financial statements.
- c. An unqualified opinion was issued to Grand Valley Metropolitan Council on their compliance for major programs.
- d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

e. Major programs identified:

| | |
|--|--------------|
| Federal Highway Administration | |
| Pavement Management System Development | CFDA #20.205 |
| Grand Rapids Urbanized Area Section 112 | CFDA #20.205 |
| Congestion Mitigation/Air Quality Ozone Action Program | CFDA #20.205 |
| FTA Section of Planning Funds Section 8 | CFDA #20.205 |
| State Planning and Research | CFDA #20.205 |

f. The threshold used to distinguish between Type A and Type B programs was \$300,000.

g. Grand Valley Metropolitan Council qualified as a low-risk auditee.

2. Findings related to the financial statements which are required to be reported in accordance with GAGAS:

None

3. The audit disclosed no findings that are required to be reported under Section 501(a) of OMB Circular A-133.

4. There were no prior year findings.