

2018-19
Audit Acceptance Resolution

Whereas, The Grand Valley Metropolitan Council (GVMC) is organized as a Council of Governments, and

Whereas, GVMC receives funds from a variety of federal, state, local and philanthropic sources, and

Whereas, in order to meet the requirements of these sources an official audit must be conducted on an annual basis, and

Whereas, in accordance with Government Auditing Standards issued by the Comptroller General of the United States and conducted by Vredeveld Haefner, LLC.

Now Therefore Be It Resolved that the Board of Directors of GVMC hereby accepts the audit for the fiscal year ending September 30, 2019.

September 3, 2020



Vredeveld Haefner LLC

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Grand Valley Metropolitan Council Audit summary 9/30/2019

We conducted our onsite field work the week of December 9, 2019 and issued the audit report January 16, 2020.

The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audit also included an audit of Federal funding following the requirements of the Federal Uniform Guidance (Federal single audit requirements).

The audit went very well and all requested items were made readily available to us by management and staff of the Council.

There were no significant deficiencies or material weaknesses reported in connection with the financial statement audit.

There were no findings reported in connection with the single audit of Federal funds.

A couple of minor items were reported to management for follow-up. They related to the State not following the Uniform Guidance format for the indirect cost allocation and the State not completing timely settlement of prior years' grants.

We certainly appreciate the opportunity to work with the Council in conducting the audit. We are available if there are any questions.



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January 16, 2020

To the Council Board
Grand Valley Metropolitan Council

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grand Valley Metropolitan Council (the Council) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 12, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on previous history and future expectations. Allowable grant costs are based on direct costs and the submitted indirect cost allocation plan. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 16, 2020.

Specializing in services to governmental and nonprofit entities

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We also noted the following item:

Cost Allocation Plan

We noted the Council utilizes the State format for the indirect cost plan and should be aware that the States form is not fully compliant with the Uniform Guidance provided in CFR200 for indirect cost allocation plans.

Funds Due to State

Grant revenue amounts are billed to the State each month based on various estimates of actual costs. Subsequent to each year end, the grant revenue amounts are recomputed based on actual costs and, in many cases, the amounts received are in excess of actual grant costs. Any excess amount received is recorded as an amount due to the State and any balance due is billed to the state, The Council has accumulated a balance due to the state for several years and should determine appropriate resolution of these funds.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board and management of the Council and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Uredexeld Haefner LLC

GVMC

GRAND VALLEY METRO COUNCIL

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

GRAND VALLEY METROPOLITAN COUNCIL

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INDEPENDENT AUDITORS' 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

January 16, 2020

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Metropolitan Council (the Council) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ordenold Haefner LLC



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 16, 2020

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited Grand Valley Metropolitan Council's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Metropolitan Council as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements. We issued our report thereon dated January 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Urodeuxeld Haefner LLC

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Agency/Pass-through Grantor/Program Title	Grant Number	CFDA Number	Expenditures
<u>Federal Highway Administration</u>			
Passed through Michigan Department of Transportation			
Unified Work Program	2018-0004/Z8	20.205	\$ 840,359
STP - Geographic Information System	2018-0004/Z9	20.205	17,660
STP - Pavement Management System	2018-0004/Z9	20.205	24,344
STP - Congestion Management System	2018-0004/Z9	20.205	48,189
STP - Clean Air Action	2018-0004/Z10	20.205	50,458
SPR - Travel Demand	2018-0004/Z13	20.205	5,779
SPR - US-131/I-96 Corridor	2018-0004/Z12	20.205	10,206
Third Bus Rapid Transit Line	2015-0004/Z16/R1	20.205	54,243
Total Federal Highway Administration			<u>1,051,238</u>
<u>Environmental Protection Agency</u>			
Direct			
Lower Grand River Watershed Stormwater Implementation and Education	00E01911	66.469	<u>110,310</u>
<u>Department of Agriculture</u>			
Passed through National Fish and Wildlife Foundation			
Grand River Rainscaping Program	1301.17.055158	10.664	23,845
Passed through Natural Resources Conservation Service			
Lower Grand River Watershed Habitat Restoration - Farmland Conservation	68-5D21-17-106	10.932	<u>158,932</u>
Total Department of Agriculture			<u>182,777</u>
Total Expenditures of Federal Awards			<u>\$ 1,344,325</u>

Notes to Schedule of Expenditures of Federal Awards

1. This schedule is presented on the modified accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
3. The Council did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted

GVMC

GRAND VALLEY METRO COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

GRAND VALLEY METROPOLITAN COUNCIL

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INDEPENDENT AUDITORS' REPORT

January 16, 2020

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Metropolitan Council (the Council), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grand Valley Metropolitan Council as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Uredaxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Council

Grand Valley Metropolitan Council (the Council) serves local units of government in the West Michigan area in different facets of transportation planning, environmental programs as well as with a Regional Geographic Information System Agency (REGIS). The Council was established in 1990 under Public Act 292 of the Michigan Public Acts of 1989. The Council is governed by a board appointed by participating municipalities.

Financial Highlights

GVMC

- Member dues were frozen at prior year levels for yet another year. GVMC is now fiscally sustainable to provide continuation of services in case of unforeseen economic issues. Careful planning and budgeting continue to provide an increase in the fund balance.
- Staffing costs and fringes continued to be monitored; planned staffing levels are adequate for the current services being provided.
- The transportation improvement program resulted in 109 projects being obligated for a total federal amount of almost \$99 million coming to the Council service area.
- The GVMC van provided contract work assessing road conditions for six local units of government outside of the MPO region.

REGIS

- The Regis member dues were frozen at prior year levels reflecting rate structure change in the prior fiscal year providing continuity and methodology for annual dues.
- All REGIS systems continue to provide solid system performance with zero down time for this fiscal year.
- GVMC/REGIS formed and administers the West Michigan GIS Users Group which has over 30 members from the public and private sectors. The group works together to share information, training, and best practices in GIS.
- Continuing to serve with increased collaboration the 19 member communities as a single source GIS provider.
- For the third year in a row, a Regis member rebate was done. This year's total was \$150,000.

Environmental

- Member dues were frozen at prior year levels for another year.
- Increased Environmental programs with several new grants and new service initiatives.
- Grant revenue was over \$700,000—7.7% higher than prior year.
- Continued to maintain the MS 4 permits for all member communities and worked with the State of Michigan to approve all permits.
- SAW Grant officially ended this year providing \$253,920 in additional services to our member communities.
- Many additional grants and opportunities continue to come and staffing levels have increased to 3 full time, 2 part time, and 2 interns to meet the necessary demands of the grants.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by fees and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Council currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council only utilizes governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council adopts an annual appropriated budget for each of its funds. A budgetary comparison schedule has been provided for the General, REGIS, Environmental Programs, and REGIS Capital funds to demonstrate compliance with budgets.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information*. This is limited to this discussion and analysis and budget and actual schedules.

Government-wide Financial Analysis

The following table presents condensed information about the Council's financial position for the past two fiscal years. Net position increased \$262,822 during the year primarily as a result of matching expenditures with available grant funding. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation.

	<u>2019</u>	<u>2018</u>
Current and other assets	\$5,893,232	\$5,542,339
Capital assets	52,390	104,512
Total assets	<u>5,945,622</u>	<u>5,646,851</u>
Current and other liabilities	980,057	940,391
Long-term liabilities	50,374	54,091
Total liabilities	<u>1,030,431</u>	<u>994,482</u>
Net position		
Net investment in capital assets	52,390	104,512
Restricted for REGIS	1,405,007	1,365,603
Restricted for Environmental Programs	454,977	464,958
Unrestricted	3,002,817	2,717,296
Total net position	<u>\$4,915,191</u>	<u>\$4,652,369</u>

Income and Expenses

The Council's financial position improved during the year ended September 30, 2019 as a result of revenues exceeding expenses. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2019</u>	<u>2018</u>
Program revenues		
Charges for services	\$1,154,434	\$1,248,302
Operating grants and contributions	1,807,545	2,387,846
General revenues		
Metro Council dues	270,361	269,953
Unrestricted interest income	45,402	24,660
Total revenues	<u>3,277,742</u>	<u>3,930,761</u>
Functions/program expenses		
Transportation	864,987	1,424,404
Administration	557,947	467,548
REGIS	618,013	632,444
Environmental programs	973,973	768,997
Total expenses	<u>3,014,920</u>	<u>3,293,393</u>
Change in net position	262,822	637,368
Net position, beginning of year	<u>4,652,369</u>	<u>4,015,001</u>
Net position, end of year	<u>\$4,915,191</u>	<u>\$4,652,369</u>

Financial Analysis of the Government's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Council's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$4,913,175, an increase of \$311,227 from the prior year.

The general fund is the chief operating fund of the Council. At the end of the current fiscal year unassigned fund balance was \$3,049,260. The general fund reported an increase in fund balance of \$281,804.

The REGIS special revenue fund had restricted fund balance of \$1,150,872 at year-end and reported an increase in fund balance of \$34,366 from the prior year.

The Environmental Programs special revenue fund had total fund balance of \$454,977 at year-end and reported a decrease in fund balance of \$9,981 from the prior year.

The REGIS capital projects fund reported total fund balance of \$248,994 at year-end and an increase in fund balance of \$5,038 from the prior year.

Budgetary Highlights

GVMC

General fund budgeted grant revenue reflects the maximum amounts the Council could bill under the MDOT grants, but the actual costs the Council billed was less. The Asset Management pilot program was budgeted to have a carry over to the next fiscal year as all the funds could not be expended during the year. Actual expenditures through careful monitoring and wise spending resulted in expenditures being less than budget with resulting overall revenue exceeding expenditures beyond budgeted amounts.

REGIS

The anticipated budgeted revenues were very close to actual and close expense monitoring kept expenditures less than budgeted resulting in an overall increase in the fund balance. The Regis System continues to function with zero down time for the entire fiscal year.

Environmental Programs

The original budget for the environmental programs fund was reflecting the known information at the time for potential grants and the corresponding expenditures. The actual grant revenue was lesser than the budget due to some revenue being deferred until the next fiscal year along with the Regional Conservation Partnership Program having far less spent. The overall expenditures therefore proportionately decreased with the decrease in grant revenue. Due to maximizing expenditures for the SAW grant, the environmental programs fund had a slight overall reduction in fund balance.

Capital Asset and Long-Term Debt Activities

The Council's capital assets consist of furniture and fixtures, equipment and vehicles. There were no additions to capital assets during the current year. Additional information on capital assets can be found in Note 4 to the financial statements.

Debt activity consists of compensated absences payable. Additional information on long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

GVMC

The Council is very mindful of the economic climate as well as the funding constraints at the state and federal levels which continue to affect the Council's members. The Council continues to provide high level services and increases those services without any dues increase to the members. The Council is dedicated to continue efforts to maximize revenue.

Significant revenues are being obtained through new grants, contracts, and fees for services. Membership dues for GVMC (and likewise all departments) were frozen at prior year's levels. The Council has now fully integrated the various departments with significantly increased opportunities for interdepartmental cooperation between Transportation, REGIS and Environmental Programs.

REGIS

The REGIS budget likewise maintained membership dues at the same level as the prior year. The overhead rate allocation continues to be a flat percentage based upon department wages which consolidated expenditures effectively to minimize overall costs. The budget also includes capital expenditures on the REGIS systems to keep the system running smoothly with cutting edge technology. The Regis Board along with the GVMC Executive Committee continues to analyze opportunities for collaboration with other governmental GIS providers and to build synergy through enhanced collaboration.

Environmental Programs

As GVMC Environmental Programs continue to successfully participate in regional projects, requests for involvement and leadership will continue to expand. Tremendous potential exists to successfully grow environmental service opportunities. The budget for next year reflects these initiatives and the Council understands its responsibility to manage resources well in order to meet objectives. Sustainability of the program has been furthered assured by monitoring expenditures so that the fund balance of the environmental department will grow in order to help provide services in case of unforeseen economic downturn.

Contacting the Council Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Council's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact the Executive Director at Grand Valley Metropolitan Council, 678 Front Ave NW, Suite 200, Grand Rapids, MI 49504.

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BASIC FINANCIAL STATEMENTS

GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,415,805
Accounts receivable	468,355
Prepaid items	9,072
Capital assets, net	<u>52,390</u>
Total assets	<u>5,945,622</u>
Liabilities	
Accounts payable and accrued liabilities	496,352
Accrued compensation	51,996
Unearned revenue	431,709
Noncurrent liabilities	
Compensated absences	<u>50,374</u>
Total liabilities	<u>1,030,431</u>
Net position	
Invested in capital assets	52,390
Restricted for REGIS	1,405,007
Restricted for Environmental Programs	454,977
Unrestricted	<u>3,002,817</u>
Total net position	<u>\$ 4,915,191</u>

The accompanying notes are an integral part of these financial statements.

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GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
<u>Expenses</u>	<u>Charges</u>	<u>Operating</u>	<u>Net (Expense)</u>	
	<u>for Services</u>	<u>Grants and</u>	<u>Revenue</u>	
		<u>Contributions</u>		
Primary government				
Governmental activities				
Transportation	\$ 864,987	\$ 285,721	\$ 1,086,799	\$ 507,533
Administration	557,947	3,340	-	(554,607)
REGIS	618,013	622,474	-	4,461
Environmental programs	973,973	242,899	720,746	(10,328)
Total governmental activities	\$ 3,014,920	\$ 1,154,434	\$ 1,807,545	(52,941)
General revenues				
Membership				270,361
Interest earnings				45,402
Total general revenues				315,763
Change in net position				262,822
Net position, beginning of year				4,652,369
Net position, end of year				\$ 4,915,191

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

SEPTEMBER 30, 2019

	Special Revenue			Nonmajor Capital Projects	Total
	General	REGIS	Environmental	REGIS	
			Programs		
Assets					
Cash and cash equivalents	\$ 3,606,562	\$ 1,158,290	\$ 401,959	\$ 248,994	\$ 5,415,805
Accounts receivable	300,546	6,675	161,134	-	468,355
Prepaid items	3,931	5,141	-	-	9,072
Total assets	\$ 3,911,039	\$ 1,170,106	\$ 563,093	\$ 248,994	\$ 5,893,232
Liabilities and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 429,789	\$ 2,192	\$ 64,371	\$ -	\$ 496,352
Accrued compensation	27,346	11,901	12,749	-	51,996
Unearned revenue	400,713	-	30,996	-	431,709
Total liabilities	857,848	14,093	108,116	-	980,057
Fund balances					
Non-spendable					
Prepaid expenditures	3,931	5,141	-	-	9,072
Restricted					
REGIS	-	1,150,872	-	248,994	1,399,866
Environmental Programs	-	-	454,977	-	454,977
Unassigned	3,049,260	-	-	-	3,049,260
Total fund balances	3,053,191	1,156,013	454,977	248,994	4,913,175
Total liabilities and fund balances	\$ 3,911,039	\$ 1,170,106	\$ 563,093	\$ 248,994	\$ 5,893,232

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

Fund balances - total governmental funds	\$ 4,913,175
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	52,390
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(50,374)</u>
Net position of governmental activities	<u>\$ 4,915,191</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue			Nonmajor Capital Projects	Total
	General	REGIS	Environmental Programs	REGIS	
Revenues					
Federal grants - transportation	\$ 1,051,238	\$ -	\$ -	\$ -	\$ 1,051,238
Federal grants - other	-	-	293,087	-	293,087
State and local grants	35,561	-	403,787	-	439,348
Membership and project fees	481,667	543,515	11,700	-	1,036,882
Other contributions	-	30,975	-	-	30,975
Donations	-	-	1,125	-	1,125
Charges for services	77,755	26,418	229,885	-	334,058
Interest income	45,402	16,528	1,314	5,038	68,282
Miscellaneous	-	-	22,747	-	22,747
Total revenues	<u>1,691,623</u>	<u>617,436</u>	<u>963,645</u>	<u>5,038</u>	<u>3,277,742</u>
Expenditures					
Current					
General government					
Salaries	687,413	274,055	295,552	-	1,257,020
Fringes	238,082	114,961	103,581	-	456,624
Grant specific and contractual costs	226,780	113,621	327,771	-	668,172
Professional fees	62,755	11,688	12,961	-	87,404
Advertising	2,296	50	772	-	3,118
Insurance	8,177	3,178	2,912	-	14,267
Meeting expenditures	12,871	566	848	-	14,285
Dues and subscriptions	1,309	544	1,245	-	3,098
Equipment rental	2,506	964	861	-	4,331
Office supplies	11,106	3,019	3,074	-	17,199
Mileage	9,618	398	756	-	10,772
Postage	5,891	124	179	-	6,194
Printing	-	-	44	-	44
Electricity	1,821	2,895	620	-	5,336
Telephone	9,267	5,693	3,100	-	18,060
Professional development	5,603	865	2,872	-	9,340
Rent	71,439	27,492	24,541	-	123,472
Equipment	-	16,392	1,476	-	17,868
Repairs and maintenance	731	1,744	236	-	2,711
SAW grant	-	-	189,654	-	189,654
Pavement management vehicle	15,985	-	-	-	15,985
Miscellaneous	26,819	302	571	-	27,692
Capital outlay	<u>13,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,869</u>
Total expenditures	<u>1,414,338</u>	<u>578,551</u>	<u>973,626</u>	<u>-</u>	<u>2,966,515</u>
Revenues over (under) expenditures	<u>277,285</u>	<u>38,885</u>	<u>(9,981)</u>	<u>5,038</u>	<u>311,227</u>
Other financing sources (uses)					
Transfers in	4,519	-	-	-	4,519
Transfers out	<u>-</u>	<u>(4,519)</u>	<u>-</u>	<u>-</u>	<u>(4,519)</u>
Total other financing sources (uses)	<u>4,519</u>	<u>(4,519)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	281,804	34,366	(9,981)	5,038	311,227
Fund balances, beginning of year	<u>2,771,387</u>	<u>1,121,647</u>	<u>464,958</u>	<u>243,956</u>	<u>4,601,948</u>
Fund balances, end of year	<u>\$ 3,053,191</u>	<u>\$ 1,156,013</u>	<u>\$ 454,977</u>	<u>\$ 248,994</u>	<u>\$ 4,913,175</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net changes in fund balances - total governmental funds	\$ 311,227
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Deduct - depreciation expense	(52,122)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	<u>3,717</u>
Change in net position of governmental activities	<u>\$ 262,822</u>

The accompanying notes are an integral part of these financial statements.

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GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Grand Valley Metropolitan Council (the "Council") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Grand Valley Metropolitan Council. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by member fees and intergovernmental revenues are reported in total. The Council has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member fees and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Council reports the following major governmental funds:

The *General Fund* is the general operating fund of the Council. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *REGIS Fund* accounts for the accumulation and disbursement of resources for the Regional Geographic Information System activity.

The *Environmental Programs Fund* accounts for the accumulation and disbursement of resources for environmental programs.

Additionally, the Council reports the following fund type:

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the capital needs of the REGIS activity.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Measurement Focus and Basis of Accounting

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. Member fees are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Grants and similar items are recognized as revenue when the related expenditure is recognized. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt and compensated absences which are recognized when due.

All governmental funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General, REGIS, Environmental Programs and REGIS Capital Projects funds. The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Executive Director submits to the Council Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the funds.
5. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Council are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Council. Any amendment to the original budget must meet the requirements of Michigan Law. The Council did amend its budget during the year. Any revisions that alter the expenditures at the function level within the fund must be approved by the Council Board.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Deposits and Investments

State statutes authorize the Council to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

The Council's investment policy is more restrictive than state requirements and allows for investment in only the investment vehicles identified in items a., b. and g. above.

Accounts Receivable

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Capital Assets

Capital assets, which include furniture and fixtures, equipment and vehicles are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	7-10
Equipment	5-7
Vehicles	5

Unearned Revenue

Funds report unearned revenue in connection with resources that have been received but not yet earned.

Compensated Absences

Under employee policy, employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the personnel procedures manual. Accumulated vacation time related to governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund balance can only be committed or assigned by resolution of the Policy Board.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Membership Dues

The Council receives dues from local units of government in West Michigan who wish to participate in the Council. Dues are computed on a per capita basis based on the most recent population data. Dues revenue is recognized as revenue in the year for which it is levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers are used to contribute budgeted amounts from the REGIS fund to the General fund.

Long-Term Obligations

In the government-wide financial statements the long-term debt is reported as a liability in the governmental activities statement of net position.

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year the Council carried commercial insurance to cover risks of losses. The Council has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Council's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the line item level while the legal level of budgetary control as set by the Board is at the function level. During the year ended September 30, 2019, the Council did not incur expenditures in budgetary funds which were in excess of the amounts appropriated.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and cash equivalents of \$5,415,805 consists of deposits in a bank of \$2,513,282 and funds held in the Kent County Public Funds Investment Pool of \$2,902,524.

The balance in the bank is in a financial institution located in Michigan. State policy limits the Council's depository options to financial institutions located in Michigan. All accounts are in the name of the Council and a specific fund or common account. They are recorded in Council records at fair value.

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. State law does not require, and the Council does not have, a policy for deposit custodial credit risk. As of year-end, the Council's bank balance consisted of an uninsured overnight repurchase agreement. This balance was collateralized with securities held by the pledging financial institution's trust department but not in the Council's name.

Interest Rate Risk. Council policy limits allowable investments to the Kent County Investment Pool as indicated in Note 1, the summary of significant accounting policies. There is no stated maturity date for the Council's investment in the Kent County Investment Pool. At September 30, 2019, the balance of the Kent County Investment Pool consisted of the following:

<u>Investment</u>	<u>Percentage of Pool Total</u>	<u>Maturity in Years</u>
Government agency securities	15%	0-3
Debt securities	1%	0-1
Certificates of deposits	57%	0-3
Deposits, money markets and other pools	27%	Not applicable

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. Council policy limits the allowable investments to investment in the Kent County Investment Pool. The investment in the Kent County Investment Pool is not rated as to risk. The Kent County Investment Pool is required to follow state law.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Council does not have a policy for investment custodial credit risk. Custodial credit risk associated with the investment in the Kent County Investment Pool cannot be determined because the investment does not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Council's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are identified above.

The Council categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Council has the following recurring fair value measurements as of year-end.

- The Council does not have any investments valued using quoted market prices (Level 1 inputs).
- The Kent County Pool investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The Council does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Governmental activities				
Capital assets, being depreciated				
Furniture and fixtures	\$116,012	\$ -	\$ -	\$116,012
Equipment and vehicles	636,925	-	-	636,925
Total capital assets, being depreciated	<u>752,937</u>	-	-	<u>752,937</u>
Less accumulated depreciation for				
Furniture and fixtures	111,736	4,276	-	116,012
Equipment and vehicles	536,689	47,846	-	584,535
Total accumulated depreciation	<u>648,425</u>	<u>52,122</u>	-	<u>700,547</u>
Governmental activities capital assets, net	<u>\$104,512</u>	<u>\$(52,122)</u>	\$ -	<u>\$ 52,390</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Transportation	\$11,347
Environmental programs	766
REGIS	<u>40,009</u>
Total	<u><u>\$52,122</u></u>

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the Council for the year.

	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences payable	\$54,091	\$ -	\$3,717	\$50,374	\$ -

6. LEASE

The Council leases office space under a lease agreement expiring June 30, 2024, with an option to renew for an additional five-year term. Rent expenditures for the office lease totaled \$123,472 for the year ended September 30, 2019.

The following is a schedule of future minimum lease payments required under non-cancelable operating leases with remaining lease terms in excess of one year as of September 30, 2019:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$126,781
2021	130,584
2022	134,502
2023	138,537
2024	<u>106,223</u>
Total	<u>\$636,627</u>

7. DEFINED CONTRIBUTION PENSION PLAN

The Council maintains the Grand Valley Metropolitan Council Defined Contribution Pension Plan which is administered through ICMA Retirement Corporation, and provides pension benefits to participating full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to contribute at least 3% of eligible wages. The Council contributes 9% of each participant's eligible wages to the plan. The plan provisions and contribution amounts were established and may be amended by the Council Board. The Council's contribution to the plan amounted to \$104,994. Council employees made contributions to the plan totaling \$95,752. The accrued retirement payable at September 30, 2019 was \$2,521.

8. CONTINGENCIES AND GRANTS

Under the terms of various federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Management has estimated and recorded a liability for balances payable under grant agreements.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND VALLEY METROPOLITAN COUNCIL

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grants - transportation	\$ 1,364,212	\$ 1,364,212	\$ 1,051,238	\$ (312,974)
State and local grants	25,000	25,000	35,561	10,561
Membership and project fees	481,259	481,259	481,667	408
Charges for service	47,500	47,500	77,755	30,255
Interest income	19,500	19,500	45,402	25,902
Total revenues	<u>1,937,471</u>	<u>1,937,471</u>	<u>1,691,623</u>	<u>(245,848)</u>
Expenditures				
Current				
General government				
Salaries	765,000	765,000	687,413	77,587
Fringes	292,448	292,448	238,082	54,366
Grant specific and contractual costs	462,200	462,200	226,780	235,420
Professional fees	92,000	92,000	62,755	29,245
Advertising	5,000	5,000	2,296	2,704
Insurance	10,000	10,000	8,177	1,823
Meeting expenditures	20,000	20,000	12,871	7,129
Dues and subscriptions	2,500	2,500	1,309	1,191
Equipment rental	5,000	5,000	2,506	2,494
Office supplies	6,000	6,000	11,106	(5,106)
Mileage	10,000	10,000	9,618	382
Postage	1,000	1,000	5,891	(4,891)
Printing	2,500	2,500	-	2,500
Electricity	3,000	3,000	1,821	1,179
Telephone	10,000	10,000	9,267	733
Professional development	8,000	8,000	5,603	2,397
Rent	75,000	75,000	71,439	3,561
Repairs and maintenance	5,000	5,000	731	4,269
Pavement management vehicle	57,300	57,300	15,985	41,315
Miscellaneous	11,000	11,000	26,819	(15,819)
Capital outlay	30,000	30,000	13,869	16,131
Total expenditures	<u>1,872,948</u>	<u>1,872,948</u>	<u>1,414,338</u>	<u>458,610</u>
Revenues over (under) expenditures	64,523	64,523	277,285	212,762
Other financing sources (uses)				
Transfers in	4,519	4,519	4,519	-
Net changes in fund balance	69,042	69,042	281,804	212,762
Fund balance, beginning of year	<u>2,771,387</u>	<u>2,771,387</u>	<u>2,771,387</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,840,429</u>	<u>\$ 2,840,429</u>	<u>\$ 3,053,191</u>	<u>\$ 212,762</u>

GRAND VALLEY METROPOLITAN COUNCIL

**REGIS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Membership dues	\$ 693,515	\$ 543,515	\$ 543,515	\$ -
Other contributions	24,900	24,900	30,975	6,075
Charges for services	30,737	32,337	26,418	(5,919)
Interest income	7,600	16,600	16,528	(72)
Total revenues	<u>756,752</u>	<u>617,352</u>	<u>617,436</u>	<u>84</u>
Expenditures				
Current				
General government				
Salaries	294,400	278,900	274,055	4,845
Fringes	125,218	120,338	114,961	5,377
Contract services				
Software maintenance agreements	75,000	60,000	52,863	7,137
Other contractual services	92,150	65,150	60,758	4,392
Professional fees	8,000	9,750	11,688	(1,938)
Legal services	1,500	250	-	250
Advertising	1,000	250	50	200
Insurance	3,750	3,200	3,178	22
Meeting expenditures	1,000	500	566	(66)
Dues and subscriptions	1,250	1,000	544	456
Equipment rental	1,250	1,250	964	286
Office supplies	4,900	4,300	3,019	1,281
Mileage	750	500	398	102
Postage	300	200	124	76
Printing	500	200	-	200
Electricity	1,950	2,200	2,895	(695)
Telephone	6,125	6,125	5,693	432
Professional development	3,000	1,500	865	635
Rent	29,000	28,000	27,492	508
Equipment and furniture	87,600	16,600	16,392	208
Repairs and maintenance	1,500	2,000	1,744	256
Miscellaneous	2,725	825	302	523
Total expenditures	<u>742,868</u>	<u>603,038</u>	<u>578,551</u>	<u>24,487</u>
Revenues over (under) expenditures	13,884	14,314	38,885	24,571
Other financing sources (uses)				
Transfers out	(4,519)	(4,519)	(4,519)	-
Net changes in fund balance	9,365	9,795	34,366	24,571
Fund balance, beginning of year	<u>1,121,647</u>	<u>1,121,647</u>	<u>1,121,647</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,131,012</u>	<u>\$ 1,131,442</u>	<u>\$ 1,156,013</u>	<u>\$ 24,571</u>

GRAND VALLEY METROPOLITAN COUNCIL

**ENVIRONMENTAL PROGRAMS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Federal grants	\$ 670,000	\$ 670,000	\$ 293,087	\$ (376,913)
State and local grants	362,500	362,500	403,787	41,287
Membership dues	11,500	11,500	11,700	200
Donations	650	650	1,125	475
Charges for services	233,208	233,208	229,885	(3,323)
Interest income	950	950	1,314	364
Miscellaneous	2,000	2,000	22,747	20,747
Total revenues	<u>1,280,808</u>	<u>1,280,808</u>	<u>963,645</u>	<u>(317,163)</u>
Expenditures				
Current				
General government				
Salaries	262,800	262,800	295,552	(32,752)
Fringes	111,691	111,691	103,581	8,110
Grant specific and contractual costs	653,250	653,250	327,771	325,479
Professional fees	11,900	11,900	12,961	(1,061)
Advertising	500	500	772	(272)
Insurance	2,700	2,700	2,912	(212)
Meeting expenditures	1,100	1,100	848	252
Dues and subscriptions	1,000	1,000	1,245	(245)
Equipment rental	1,000	1,000	861	139
Office supplies	1,750	1,750	3,074	(1,324)
Mileage	1,000	1,000	756	244
Postage	250	250	179	71
Printing	500	500	44	456
Electricity	750	750	620	130
Telephone	2,500	2,500	3,100	(600)
Professional development	2,750	2,750	2,872	(122)
Rent	23,000	23,000	24,541	(1,541)
Equipment and furniture	2,500	2,500	1,476	1,024
Repairs and maintenance	-	-	236	(236)
SAW grant	190,000	190,000	189,654	346
Miscellaneous	650	650	571	79
Total expenditures	<u>1,271,591</u>	<u>1,271,591</u>	<u>973,626</u>	<u>297,965</u>
Net changes in fund balance	9,217	9,217	(9,981)	(19,198)
Fund balance, beginning of year	<u>464,958</u>	<u>464,958</u>	<u>464,958</u>	<u>-</u>
Fund balance, end of year	<u>\$ 474,175</u>	<u>\$ 474,175</u>	<u>\$ 454,977</u>	<u>\$ (19,198)</u>

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SUPPLEMENTARY INFORMATION

GRAND VALLEY METROPOLITAN COUNCIL

**REGIS CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 2,500	\$ 2,500	\$ 5,038	\$ 2,538
Expenditures				
Capital outlay	-	-	-	-
Net changes in fund balance	2,500	2,500	5,038	2,538
Fund balance, beginning of year	<u>243,956</u>	<u>243,956</u>	<u>243,956</u>	<u>-</u>
Fund balance, end of year	<u>\$ 246,456</u>	<u>\$ 246,456</u>	<u>\$ 248,994</u>	<u>\$ 2,538</u>