



## FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012



*Vredeveld Haefner LLC*

# GRAND VALLEY METROPOLITAN COUNCIL

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*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

## INDEPENDENT AUDITORS' REPORT

January 30, 2013

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council, as of and for the year ended September 30, 2012, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Grand Valley Metropolitan Council. 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 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grand Valley Metropolitan Council as of September 30, 2012, and the respective changes in financial position, for the year 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 January 30, 2013, on our consideration of the Grand Valley Metropolitan 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 the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on pages 23 through 26 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.

*Vredeveld Haefner LLC*

*Specializing in services to governmental and nonprofit entities*

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## **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 and land use planning 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
  - Completed and closed out the Brownfield Grant which was for community wide assessments of potential brownfield sites.
  - Staffing costs and fringes were down significantly primarily due to retirements of staff members and outsourcing financial services.
  - Due to the staffing changes, the amount of MDOT direct wage costs were down substantially. This resulted in the indirect rate for MDOT funding to change significantly, resulting in a one time additional invoice to MDOT for \$266,812. This was the primary reason for the general fund balance increase.
  - MDOT past due amounts from prior year audits were fixed and collected.
  - LGROW received grants of \$28,200 in order to provide watershed related services as part of a three year plan.
  - The transportation improvement program resulted in a total of 141 projects and \$100,996,000 of federal funding for all modes of transportation.
- REGIS
  - Successfully served the nineteen member consortium of approximately 700 users with a reduced staffing model of five full time and two part time employees.
  - Actively working on making its services more visible and accessible to the citizens and private sector customers, which is evident from the fact that the revenue generated from this area more than the budgeted amount.

## 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. This report also contains required supplementary information (this management discussion and analysis and budget and actual schedules) in addition to the basic financial statements themselves.

## 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 assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 its General and REGIS funds. A budgetary comparison statement has been provided for the General, REGIS, LGROW, 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 assets increased \$471,885 during the year primarily as a result of cost control measures. Total net assets include the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation.

	<u>2012</u>	<u>2011</u>
Current and other assets	\$2,804,432	\$2,583,702
Capital assets	89,450	100,674
<b>Total assets</b>	<b><u>2,893,882</u></b>	<b><u>2,684,376</u></b>
Current and other liabilities	755,950	1,007,610
Long-term liabilities	31,141	41,860
<b>Total liabilities</b>	<b><u>787,091</u></b>	<b><u>1,049,470</u></b>
Net assets		
Invested in capital assets, net of related debt	89,450	100,674
Restricted for REGIS	935,417	1,032,980
Restricted for LGROW	35,304	5,327
Unrestricted	1,046,620	495,925
<b>Total net assets</b>	<b><u>\$2,106,791</u></b>	<b><u>\$1,634,906</u></b>

## Income and Expenses

The Council's financial position improved during the year ended September 30, 2012 as a result of cutting expenses while revenues increased. Income was greater than expenses. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2012</u>	<u>2011</u>
<b>Program revenues</b>		
Charges for services	\$1,014,327	\$ 902,804
Operating grants	1,766,948	1,695,315
<b>General revenues</b>		
Metro Council dues	260,791	250,875
Unrestricted interest income	5,713	4,636
<b>Total revenues</b>	<b><u>3,047,779</u></b>	<b><u>2,853,630</u></b>
<b>Functions/program expenses</b>		
Transportation	940,871	1,163,019
Natural resources	266,124	361,884
Land use	-	244,663
Administration	604,310	387,947
REGIS	758,526	700,503
LGROW	6,063	9,977
Interest expense	-	3,278
<b>Total expenses</b>	<b><u>2,575,894</u></b>	<b><u>2,871,271</u></b>
Change in net assets	471,885	(17,641)
<b>Net assets, beginning of year</b>	<b><u>1,634,906</u></b>	<b><u>1,652,547</u></b>
<b>Net assets, end of year</b>	<b><u>\$2,106,791</u></b>	<b><u>\$1,634,906</u></b>

## **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 \$2,048,482 an increase of \$472,390 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 \$820,886. The general fund reported an increase as budgeted.

The REGIS capital projects fund report a transfer from the REGIS special revenue fund and minimal other activity.

## **Budgetary Highlights**

General fund federal grant revenue was higher this year primarily due to the completion of the Brownfield Grant. Actual salaries, fringes and contractual services were lower than budgeted due to changes in staffing and not as many outside contractual services being utilized.

The REGIS fund ended the fiscal year with expenditures nearly equal to revenues. Through careful planning and constant monitoring of financial and human resources, the actual utilization of fund balance was approximately \$85,000 less than budgeted.

## **Capital Asset and Long-Term Debt Activities**

The Council's capital assets consist of furniture and equipment, vehicles and computer hardware and software. The primary additions to capital assets during the current year were for computer equipment and a camera for the road testing vehicle server. 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**

The Council is very mindful of the current economic climate as well as the state of cutbacks which are affecting the members of the Council. The Council has made every attempt to provide services at the same level without increasing the cost to members. Expenditures are monitored carefully as well as pursuing any and all sources of additional revenues.

The REGIS budget includes a five year projection maintaining fund balance at 25% of expenditures as well as a separate capital budget to provide sufficient capital for five years of funding.

## **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.

## **BASIC FINANCIAL STATEMENTS**

# GRAND VALLEY METROPOLITAN COUNCIL

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,182,437
Accounts receivable	606,026
Prepaid items	15,969
Capital assets, net	<u>89,450</u>
<b>Total assets</b>	<u>2,893,882</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	684,810
Accrued compensation	48,052
Unearned revenue	23,088
Noncurrent liabilities	
Compensated absences	<u>31,141</u>
<b>Total liabilities</b>	<u>787,091</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	89,450
Restricted for REGIS	935,417
Restricted for LGROW	35,304
Unrestricted	<u>1,046,620</u>
<b>Total net assets</b>	<u>\$ 2,106,791</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, 2012*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
<b>Primary government</b>					
Governmental activities					
Transportation	\$ 940,871	\$ 464,318	\$ 234,852	\$ 1,410,741	\$ 240,404
Natural resources	266,124	-	445	326,007	60,328
Administration	604,310	(464,318)	45,692	2,000	(92,300)
REGIS	758,526	-	725,498	-	(33,028)
LGROW	6,063	-	7,840	28,200	29,977
Total governmental activities	\$ 2,575,894	\$ -	\$ 1,014,327	\$ 1,766,948	205,381
General revenues					
Membership					260,791
Interest earnings					5,713
Total general revenues					266,504
Change in net assets					471,885
<b>Net assets, beginning of year</b>					1,634,906
<b>Net assets, end of year</b>					\$ 2,106,791

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

**GRAND VALLEY METROPOLITAN COUNCIL**

**GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2012**

	Special Revenue			Capital Projects	Total
	General	REGIS	LGROW	REGIS	
<b>Assets</b>					
Cash and cash equivalents	\$ 962,315	\$ 944,312	\$ 34,904	\$ 240,906	\$ 2,182,437
Accounts receivable	593,008	12,618	400	-	606,026
Prepaid expenditure:	9,128	6,841	-	-	15,969
<b>Total assets</b>	<b>\$ 1,564,451</b>	<b>\$ 963,771</b>	<b>\$ 35,304</b>	<b>\$ 240,906</b>	<b>\$ 2,804,432</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 679,935	\$ 4,875	\$ -	\$ -	\$ 684,810
Accrued compensation and benefits	31,414	16,638	-	-	48,052
Deferred revenue	23,088	-	-	-	23,088
<b>Total liabilities</b>	<b>734,437</b>	<b>21,513</b>	<b>-</b>	<b>-</b>	<b>755,950</b>
<b>Fund balances</b>					
Non-spendable					
Prepaid expenditures	9,128	6,841	-	-	15,969
Restricted					
REGIS	-	935,417	-	-	935,417
LGROW	-	-	35,304	-	35,304
Assigned for REGIS capital projects	-	-	-	240,906	240,906
Unassigned	820,886	-	-	-	820,886
<b>Total fund balances</b>	<b>830,014</b>	<b>942,258</b>	<b>35,304</b>	<b>240,906</b>	<b>2,048,482</b>
<b>Total liabilities and fund balance:</b>	<b>\$ 1,564,451</b>	<b>\$ 963,771</b>	<b>\$ 35,304</b>	<b>\$ 240,906</b>	<b>\$ 2,804,432</b>

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 ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2012**

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<b>Fund balances - total governmental funds</b>	\$ 2,048,482
Amounts reported for <i>governmental activities</i> in the statement of net assets 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)	89,450
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(31,141)</u>
<b>Net assets of governmental activities</b>	<u>\$ 2,106,791</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, 2012**

	Special Revenue			Capital Projects	Total
	General	REGIS	LGROW	REGIS	
<b>Revenues</b>					
Federal grants - transportation	\$ 1,380,931	\$ -	\$ -	\$ -	\$ 1,380,931
Federal grants - other	162,252	-	-	-	162,252
State and local grants	188,165	-	-	-	188,165
Membership and project fees	451,220	640,444	7,780	-	1,099,444
Membership recovery fees	-	21,500	-	-	21,500
Donations	7,400	-	28,200	-	35,600
Charges for services	90,560	57,731	-	1,311	149,602
Interest income	5,713	4,512	60	-	10,285
<b>Total revenues</b>	<u>2,286,241</u>	<u>724,187</u>	<u>36,040</u>	<u>1,311</u>	<u>3,047,779</u>
<b>Expenditures</b>					
Current					
General government					
Salaries	811,542	332,940	1,965	-	1,146,447
Fringes	290,680	106,188	327	-	397,195
Grant specific and contractual costs	468,682	166,960	2,609	-	638,251
Professional fees	31,813	11,407	-	-	43,220
Legal services	8,426	4,784	-	-	13,210
Advertising	985	156	-	-	1,141
Insurance	15,542	4,144	-	-	19,686
Meeting expenditures	18,310	1,053	407	-	19,770
Dues and subscriptions	1,769	1,654	-	-	3,423
Equipment rental	5,153	1,630	-	-	6,783
Office supplies	8,735	8,085	-	-	16,820
Mileage	9,085	2,742	-	-	11,827
Postage	-	63	-	-	63
Printing	140	740	755	-	1,635
Electricity	3,328	2,286	-	-	5,614
Telephone	13,911	8,033	-	-	21,944
Professional development	2,018	1,759	-	-	3,777
Rent	60,906	39,522	-	-	100,428
Equipment	71,692	2,542	-	35,248	109,482
Repairs and maintenance	2,967	2,798	-	-	5,765
Miscellaneous	2,828	6,055	-	25	8,908
<b>Total expenditures</b>	<u>1,828,512</u>	<u>705,541</u>	<u>6,063</u>	<u>35,273</u>	<u>2,575,389</u>
Revenues over (under) expenditures	<u>457,729</u>	<u>18,646</u>	<u>29,977</u>	<u>(33,962)</u>	<u>472,390</u>
Other financing sources (uses)					
Transfers in	-	-	-	20,000	20,000
Transfers out	-	(20,000)	-	-	(20,000)
Total other financing sources (uses)	-	(20,000)	-	20,000	-
Net changes in fund balances	457,729	(1,354)	29,977	(13,962)	472,390
<b>Fund balances, beginning of year</b>	<u>372,285</u>	<u>943,612</u>	<u>5,327</u>	<u>254,868</u>	<u>1,576,092</u>
<b>Fund balances, end of year</b>	<u>\$ 830,014</u>	<u>\$ 942,258</u>	<u>\$ 35,304</u>	<u>\$ 240,906</u>	<u>\$ 2,048,482</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, 2012

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<b>Net changes in fund balances - total governmental funds</b>	\$ 472,390
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.	
Add - capital outlay	40,280
Deduct - depreciation expense	(51,504)
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>10,719</u>
<b>Change in net assets of governmental activities</b>	<u>\$ 471,885</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, 2012

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### 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 assets 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 agency.

The *LGROW Fund* accounts for the accumulation and disbursement of resources for the Lower Grand River Organization of Watersheds Agency.

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

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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### ***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 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".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General, REGIS, LGROW and REGIS Capital 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).

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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 amended 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.

### ***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 vehicle identified in item 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, computers, 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 \$1,000 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 their estimated fair market value on the date received.

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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.

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	7
Computers	5
Vehicles	5

#### ***Deferred Revenue***

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for 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 assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

#### ***Net Assets 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 action 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 by resolution of the Policy Board.

When multiple net asset/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed.

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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### ***Membership Dues***

The Council receives dues from local units of government in West Michigan who wish to participate. 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 REGIS capital projects 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 assets.

### ***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, 2012, the Council incurred no 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, 2012

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#### 3. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and cash equivalents of \$2,182,437 consists of deposits in a bank of \$877,548 and funds held in the Kent County Public Funds Investment Pool of \$1,304,889.

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.

#### ***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, \$250,058 of the Council's bank balance of \$919,223 is insured; the remaining amount is collateralized with securities held by the pledging financial institutions trust department but not in the Council's name.

#### ***Investment and deposit risk***

***Interest Rate Risk.*** Council policy limits allowable investments to the Kent County Investment Pool as identified in Note 1, the summary of significant accounting policies. There is no stated maturity date 852for the Council's investment in the Kent County Investment Pool. At September 30, 2012 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	17%	0-4
Certificates of deposits	47%	0-5
Deposits, money markets and other pools	36%	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.

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

*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 reported above.

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2012</u>
<b>Governmental activities</b>				
<b>Capital assets, being depreciated</b>				
Furniture and fixtures	\$145,166	\$ -	\$10,447	\$134,719
Equipment and vehicles	774,788	40,280	56,425	758,643
Total capital assets, being depreciated	919,954	40,280	66,872	893,362
Less accumulated depreciation for				
Furniture and fixtures	71,211	23,713	10,447	84,477
Equipment and vehicles	748,069	27,791	56,425	719,435
Total accumulated depreciation	819,280	51,504	66,872	803,912
<b>Governmental activities capital assets, net</b>	<b>\$100,674</b>	<b>\$(11,224)</b>	<b>\$ -</b>	<b>\$ 89,450</b>

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

<b>Governmental activities</b>	
Transportation	\$18,159
REGIS	33,345
Total	\$51,504

### 5. LONG-TERM LIABILITIES

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

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2012</u>	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences payable	\$41,860	\$31,141	\$41,860	\$31,141	\$ -

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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### 6. LEASES

The Council leases office space under a lease agreement expiring June 30, 2019, with an option to renew for two additional five year terms. Rent expenditures for the office lease were \$100,248 for the year ended September 30, 2012. The Council also leases office equipment under various lease terms expiring through 2013. Equipment rental expenditures were \$6,200 for the year ended September 30, 2012.

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, 2012:

<u>Year</u>	<u>Amount</u>
2013	\$106,638
2014	106,314
2015	109,455
2016	112,752
2017	116,112
2018-2019	<u>211,146</u>
<b>Total</b>	<b><u><u>\$762,417</u></u></b>

### 7. DEFINED CONTRIBUTION PENSION PLAN

The Council maintains a defined contribution plan, which 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 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 total payroll for the year ended September 30, 2012 was \$1,122,046. The Council's contribution of \$103,074 was calculated using the base salary amount of \$1,122,046. Council employees made contributions to the plan totaling \$55,968, which was approximately 5% of covered payroll.

### 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, 2012**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal grants - transportation	\$ 1,395,443	\$ 1,395,443	\$ 1,380,931	\$ (14,512)
Federal grants - other	88,000	88,000	162,252	74,252
State and local grants	177,761	177,761	188,165	10,404
Membership and project fees	449,635	449,635	451,220	1,585
Donations	12,500	12,500	7,400	(5,100)
Charges for service	65,122	65,122	90,560	25,438
Interest income	1,500	1,500	5,713	4,213
<b>Total revenues</b>	<u>2,189,961</u>	<u>2,189,961</u>	<u>2,286,241</u>	<u>96,280</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	881,305	881,305	811,542	69,763
Fringes	320,761	320,761	290,680	30,081
Grant specific and contractual costs	691,546	691,546	468,682	222,864
Professional fees	10,500	10,500	31,813	(21,313)
Legal services	7,000	7,000	8,426	(1,426)
Advertising	4,750	4,750	985	3,765
Insurance	9,100	9,100	15,542	(6,442)
Meeting expenditures	17,700	17,700	18,310	(610)
Dues and subscriptions	4,250	4,250	1,769	2,481
Equipment rental	6,000	6,000	5,153	847
Office supplies	8,200	8,200	8,735	(535)
Mileage	27,330	27,330	9,085	18,245
Printing	1,900	1,900	140	1,760
Electricity	4,150	4,150	3,328	822
Telephone	12,800	12,800	13,911	(1,111)
Professional development	8,000	8,000	2,018	5,982
Rent	60,840	60,840	60,906	(66)
Equipment, furniture and software	48,800	48,800	71,692	(22,892)
Repairs and maintenance	4,350	4,350	2,967	1,383
Fuel & oil	-	-	-	-
Miscellaneous	5,850	5,850	2,828	3,022
<b>Total expenditures</b>	<u>2,135,132</u>	<u>2,135,132</u>	<u>1,828,512</u>	<u>306,620</u>
Net changes in fund balance	54,829	54,829	457,729	402,900
<b>Fund balance, beginning of year</b>	<u>372,285</u>	<u>372,285</u>	<u>372,285</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 427,114</u>	<u>\$ 427,114</u>	<u>\$ 830,014</u>	<u>\$ 402,900</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, 2012**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Membership dues	\$ 642,649	\$ 642,649	\$ 640,444	\$ (2,205)
Membership recovery fees (new members)	21,400	21,400	21,500	100
Charges for services	55,000	55,000	57,731	2,731
Interest income	5,997	5,997	4,512	(1,485)
<b>Total revenues</b>	<u>725,046</u>	<u>725,046</u>	<u>724,187</u>	<u>(859)</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	346,758	346,758	332,940	13,818
Fringes	134,216	134,216	106,188	28,028
Contract services				
Software maintenance agreements	120,633	120,633	114,948	5,685
Software license	16,500	16,500	13,663	2,837
Other contractual services	33,000	33,000	38,349	(5,349)
Professional fees	18,500	18,500	11,407	7,093
Legal services	3,478	3,478	4,784	(1,306)
Advertising	1,688	1,688	156	1,532
Insurance	6,883	6,883	4,144	2,739
Meeting expenditures	5,000	5,000	1,053	3,947
Dues and subscriptions	1,159	1,159	1,654	(495)
Equipment rental	3,939	3,939	1,630	2,309
Office supplies	8,768	8,768	8,085	683
Mileage	5,500	5,500	2,742	2,758
Postage	563	563	63	500
Printing	1,500	1,500	740	760
Electricity	5,464	5,464	2,286	3,178
Telephone	9,804	9,804	8,033	1,771
Professional development	5,000	5,000	1,759	3,241
Rent	45,000	45,000	39,522	5,478
Equipment and furniture	4,371	4,371	2,542	1,829
Repairs and maintenance	3,377	3,377	2,798	579
Miscellaneous	10,450	10,450	6,055	4,395
<b>Total expenditures</b>	<u>791,551</u>	<u>791,551</u>	<u>705,541</u>	<u>86,010</u>
Revenues over (under) expenditures	(66,505)	(66,505)	18,646	85,151
Transfers out	(20,000)	(20,000)	(20,000)	-
Net changes in fund balance	(86,505)	(86,505)	(1,354)	85,151
<b>Fund balance, beginning of year</b>	<u>943,612</u>	<u>943,612</u>	<u>943,612</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 857,107</u>	<u>\$ 857,107</u>	<u>\$ 942,258</u>	<u>\$ 85,151</u>

**GRAND VALLEY METROPOLITAN COUNCIL**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Membership dues	\$ 10,175	\$ 10,175	\$ 7,780	\$ (2,395)
Donations	-	-	28,200	28,200
Interest income	-	-	60	60
<b>Total revenues</b>	<u>10,175</u>	<u>10,175</u>	<u>36,040</u>	<u>25,865</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	-	-	1,965	(1,965)
Fringes	-	-	327	(327)
Grant specific and contractual costs	8,712	8,712	2,609	6,103
Meeting expenditures	550	550	407	143
Printing	550	550	755	(205)
<b>Total expenditures</b>	<u>9,812</u>	<u>9,812</u>	<u>6,063</u>	<u>3,749</u>
Net changes in fund balance	363	363	29,977	29,614
<b>Fund balance, beginning of yea</b>	<u>5,327</u>	<u>5,327</u>	<u>5,327</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,690</u>	<u>\$ 5,690</u>	<u>\$ 35,304</u>	<u>\$ 29,614</u>

**GRAND VALLEY METROPOLITAN COUNCIL**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ 1,500	\$ 1,500	\$ 1,311	\$ (189)
<b>Total revenues</b>	<u>1,500</u>	<u>1,500</u>	<u>1,311</u>	<u>(189)</u>
<b>Expenditures</b>				
Current				
General government				
Equipment and furniture	31,500	31,500	35,248	(3,748)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>25</u>	<u>4,975</u>
<b>Total expenditures</b>	<u>36,500</u>	<u>36,500</u>	<u>35,273</u>	<u>1,227</u>
Revenues over (under) expenditures	(35,000)	(35,000)	(33,962)	1,038
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net changes in fund balance	(15,000)	(15,000)	(13,962)	1,038
<b>Fund balance, beginning of year</b>	<u>254,868</u>	<u>254,868</u>	<u>254,868</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 239,868</u>	<u>\$ 239,868</u>	<u>\$ 240,906</u>	<u>\$ 1,038</u>



## SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012



*Vredeveld Haefner LLC*

# GRAND VALLEY METROPOLITAN COUNCIL

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*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

**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 30, 2013

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

We have audited the financial statements of the governmental activities and each major fund of Grand Valley Metropolitan Council, Grand Rapids, Michigan, as of and for the year ended September 30, 2012, which collectively comprise Grand Valley Metropolitan Council's basic financial statements and have issued our report thereon dated January 30, 2013. 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**

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

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2012-1 to be a material weakness.

## Compliance and Other Matters

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

We noted certain other matters that we reported to management of Grand Valley Metropolitan Council in a separate letter dated January 30, 2013.

Grand Valley Metropolitan Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Grand Valley Metropolitan Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Council Board, others within the entity, 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.

*Ordebold Haefner LLC*



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

January 30, 2013

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

**Compliance**

We have audited the compliance of Grand Valley Metropolitan Council with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grand Valley Metropolitan Council's major federal programs for the year ended September 30, 2012. Grand Valley Metropolitan Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grand Valley Metropolitan Council's management. Our responsibility is to express an opinion on Grand Valley Metropolitan 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 Grand Valley Metropolitan Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grand Valley Metropolitan Council's compliance with those requirements.

In our opinion, Grand Valley Metropolitan Council complied, in all material respects, with the 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, 2012.

**Internal Control Over Compliance**

The management of Grand Valley Metropolitan Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grand Valley Metropolitan Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, 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 Grand Valley Metropolitan 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities and each major fund of Grand Valley Metropolitan Council as of and for the year ended September 30, 2012, and have issued our report thereon dated January 30, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* and is not a required part of the 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 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 financial statements or 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 financial statements as a whole.

This report is intended solely for the information and use of management, the Council Board, others within the entity, 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.

*Uredaxld Haefner LLC*

**GRAND VALLEY METROPOLITAN COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>Federal Agency/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b><u>Federal Highway Administration</u></b>		
Passed through Michigan Department of Transportation:		
Unified Work Program	20.205	\$ 840,864
STPU - Geographic Information System	20.205	20,381
STPU - Pavement Management System	20.205	60,736
STPU - Congestion Management System	20.205	40,476
CMAQ - Air Quality Outreach Program for Ozone	20.205	144,295
SPR - US-131/I-96 Corridor	20.205	<u>54,173</u>
<b>Total Federal Highway Administration</b>		<b><u>1,160,925</u></b>
<b><u>Federal Transit Administration</u></b>		
Passed through Michigan Department of Transportation:		
Metropolitan Transportation Planning	20.505	<u>220,006</u>
<b><u>U.S. Environmental Protection Agency</u></b>		
Brownfield Assessment and Cleanup Cooperative Agreement	66.818	<u>162,252</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 1,543,183</u></b>

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.

**GRAND VALLEY METROPOLITAN COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no	
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u>	none reported

Noncompliance material to financial statements noted?        yes   X   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 Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?        yes   X   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:   \$300,000  

Auditee qualified as low-risk auditee?        yes   X   no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2012-1**

**Condition and Criteria:** Grand Valley Metropolitan Council does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expenditure accruals and to present required financial statement disclosures.

**Cause:** Grand Valley Metropolitan Council does not have the technical expertise within the organization to prepare financial statements in accordance with generally accepted accounting principles.

**Effect:** Auditing standards require that this control deficiency be reported as a material weakness.

**Recommendation:** Grand Valley Metropolitan Council's system of controls should be modified so that financial statements and disclosures can be prepared in accordance with generally accepted accounting principles.

**Management Response:** Grand Valley Metropolitan Council maintains its financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing annual accrual basis financial statements and required disclosures is not cost effective.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

**2011-1**

This finding is identified as 2012-1 above for the current year.



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.  
Grand Rapids, MI 49534  
FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

January 30, 2013

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

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, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, 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 October 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *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 the year. 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 are the useful lives of capital assets and allowable grant cost:

Management's estimate of the useful lives of capital assets is based on historical actual usefulness and expected future usefulness of these assets. Allowable grant costs are based on direct cost 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.

##### *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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have attached a listing of the proposed adjustments, all of which were recorded by the Council. In our judgment, the adjustments we proposed indicate matters that could have a significant effect on the Council's financial reporting process. The adjustments were recorded to adjust the fund financial statements to the modified accrual basis of accounting and to adjust the government-wide statements to the accrual basis of accounting as required by generally accepted accounting principles.

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### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 30, 2013.

### *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.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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.

This information is intended solely for the use of the members of the Council 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,

*Uredaxold Haefner LLC*