



**GRAND VALLEY METROPOLITAN COUNCIL**

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**GVMC EXECUTIVE COMMITTEE**

**Noon, February 16, 2012**

**GVMC Offices**

- 1) Approval of January 2012 Minutes**
- 2) Potential Regional Planning Legislation Update – Andy Bowman**
- 3) Transportation Update – Abed Itani**
- 4) Finance**
  - a) Budget Amendments**
  - b) Draft Audit**
- 5) Communications – GVMC Website**
- 6) Staff Excused**
- 7) Next Meeting – March 15, 2012**
- 8) Adjourn**

**DRAFT**  
**Grand Valley Metro Council**  
**Executive Committee Meeting**

January 19, 2012  
11:30 a.m.  
Grand Valley Metro Council  
678 Front Ave. NW, Suite 200  
Grand Rapids, MI

**Minutes**

**Present**

Jim Buck	City of Grandville
Daryl Delabbio	Kent County
Cindy Fox	Cascade Township
Don Hilton, Sr.	Gaines Township
Cy Moore	Council Treasurer
Rick Root	City of Kentwood
Alan Vanderberg	Ottawa County
Rob VerHeulen	City of Walker

**Absent**

George Heartwell	City of Grand Rapids
Michael Young	City of Rockford

**Other**

Abed Itani	Grand Valley Metro Council
Leon Branderhorst	Grand Valley Metro Council
Andy Bowman	Grand Valley Metro Council
Gayle McCrath	Grand Valley Metro Council
John Weiss	Grand Valley Metro Council

**1. Call to Order**

The meeting was called to order at 12 noon by Chair Jim Buck.

## 2. Approval of Minutes

**MOTION – Approval of GVMC Executive Committee Minutes of December 2011.  
MOVE – Root. SUPPORT – Vanderberg. MOTION CARRIED.**

## 3. Audit

John Weiss distributed the inside memo from MDOT regarding the GVMC audit settlement. The formal letter has not yet been sent. Formal notification will kick in a specific process. GVMC will have 30 days to negotiate a payment plan. After that time, if payment has not yet been made, they will start charging interest and deducting 10% from each payment to GVMC.

Abed Itani reported the settlement brought to MDOT was the one approved by the Executive Committee. DART approved GVMC's proposal, but not that of REGIS (forgiveness of the entire amount). REGIS wants to pursue the matter legally.

Abed is trying to set up a 2<sup>nd</sup> meeting to negotiate further. If REGIS doesn't pay and MDOT starts deducting, how does that affect GVMC's fund balance vs. REGIS'? REGIS should be responsible per the Executive Committee's previous decision. If it goes to court, GVMC will be the defendant, not REGIS.

Don Hilton stated he felt the Director of REGIS, Dharmesh Jain, was on top of the situation. He doesn't understand why it filtered down to REGIS to pay. It is going to be a devastating blow to their fund balance. Why is MDOT not open to taking a portion of it off the books?

Abed Itani reported he, Dharmesh Jain & Don Stypula met with MDOT & Commission Audit for the purpose of adopting a methodology to see what payment would be reasonable. They said point blank they would not accept an offer of zero (forgiveness of entire amount), anything other than that would be negotiable. They adopted a methodology & negotiated GVMC's payment down significantly, which was accepted. REGIS submitted a proposal for zero.

Rob VerHeulen stated the REGIS Board has been pushing the zero payment and now MDOT says they must pay up in full. If they don't, it will be deducted from GVMC payments. When REGIS split, they felt they were entirely independent. He is very troubled by letting the REGIS Board make decisions which are not prudent. They should take the lead and negotiate with MDOT. They have to deal with the consequences. GVMC is being undermined. We can't allow the REGIS Board to act independently if Metro Council is on the hook.

John Weiss and Leon said if REGIS holds its ground & MDOT deducts from GVMC, we will deduct from the REGIS fund balance.

Al Vanderberg stated a proposal for REGIS should be made at the same percentage of payment that was accepted for the GVMC settlement and see if they will agree to it.

John Weiss said Jim Buck got an email from Bob Homan regarding REGIS' desire to pursue legal action. If this happens, the door to a negotiated settlement may truly be shut. We have already paid a lot of money to have a lawyer write up a letter and we want to keep on MDOT's good side. How does GVMC insert its opinion? It is a dispute on the grant that started REGIS.

Abed Itani reported Rick Root volunteered Kentwood's attorney, Jeff Sluggett, who looked at the case and said he wasn't sure. We could go through the deduction process, and if REGIS doesn't win, then deduct the amount from their fund balance.

Rob VerHeulen asked who REGIS is. Who is making the decisions? This is nonsensical and they probably will lose.

Al Vanderberg said they should try to negotiate with MDOT. It is still in their best interest to do so. We need to know if GVMC has the authority to trump REGIS. Do they have the ability to make us liable?

John Weiss explained the historical background of the audit findings. It pertains to a grant from MDOT that created REGIS. An agreement was signed with contractors by REGIS to pay overhead at 1.7. MDOT reviewed and said they would only pay for 1.3. The .4 difference is the amount MDOT is asking repayment of.

Rob VerHeulen added we should strongly urge them to settle or else we will deduct the amount from their fund balance.

Abed Itani asked MDOT if they can do another petition. Unfortunately, because of mass retirements at MDOT, most of the people involved are gone. It is a learning process for those now involved. Once the official letter comes out, it will go to Treasury and then we will have to fight with them.

Cindy Janes asked if GVMC can ask to intercede as the money is coming from us.

John Weiss stated he would like to formally invite Bob Homan, Dharmesh Jain, Abed Itani and a member of the Executive Committee to meet and discuss.

Jim Buck suggested Treasurer Cy Moore would be appropriate.

John Weiss asked Abed to intercede and ask them to hold off on the letter and see if it can be negotiated.

Cy Moore added that the issue has to be settled before the audit.

A meeting was set between John Weiss, Cy Moore, Abed Itani, Bob Homan, & Dharmesh Jain for Monday, January 23<sup>rd</sup> at 1:00 p.m.

#### **4. Legislative Advocacy**

John Weiss distributed a summary of the Governor's State of the State address. The bridge to Canada is a huge issue. If the PPT reforms go into place, they will not eliminate all the funds. There has been some talk of increasing funding for good governments.

Abed Itani added the Governor has proposed an adjustment to his original transportation funding proposal to make the sales tax a little higher, which would generate \$500 million. He also is suggesting using a sliding scale on registration fees according to the age of the vehicle.

#### **5. Executive Director & Executive Committee Meeting**

Staff was excused. John Weiss discussed with the Executive Committee and sought their advice on a variety of topics.

#### **6. Adjournment – 1:30 p.m.**

## GVMC FY 11-12 AMENDED BUDGET

### Summary

Activity	Prior Year Actual FY 10-11	Three Months Actual FY 11-12	Approved Budget FY 11-12	Proposed Budget Amendment	Proposed Amended Bud FY 11-12
<b>Revenues:</b>					
Revenues	\$2,203,398.47	\$665,762.93	\$2,052,039.00	\$137,922.00	\$2,189,961.00
<b>Expenditures:</b>					
GVMC Board	\$1,806.23	\$112.50	\$2,200.00	\$0.00	\$2,200.00
Administration	\$326,771.69	\$87,407.95	\$340,545.00	\$30,300.00	\$370,845.00
Pavement Manage. Veh.	\$150,152.62	\$1,047.53	\$48,800.00	\$0.00	\$48,800.00
Transportation	\$1,100,971.55	\$218,462.75	\$1,152,411.00	\$50,930.00	\$1,203,341.00
Rogue River	\$0.00	\$0.00	\$500.00	\$0.00	\$500.00
Regional Planning Services	\$246,541.51	\$58,128.43	\$187,116.00	\$380.00	\$187,496.00
Strategic Initiatives	\$0.00	\$3,367.03	\$64,689.00	\$0.00	\$64,689.00
Special Services	\$361,884.45	\$66,108.60	\$255,761.00	\$0.00	\$255,761.00
<b>Total</b>	<b>\$2,188,128.05</b>	<b>\$434,634.79</b>	<b>\$2,052,022.00</b>	<b>\$81,610.00</b>	<b>\$2,133,632.00</b>
Net Rev. over Exp.	\$15,270.42	\$231,128.14	\$17.00	\$56,312.00	\$56,329.00

## GVMC FY 11-12 AMENDED BUDGET

Acct No.	Activity	Prior Year Actual FY 10-11	Three Months Actual FY 11-12	Approved Budget FY 11-12	Proposed Budget Amendment	Proposed Amended Bud FY 11-12
<b>Dues</b>						
	GVMC	\$250,875.00	\$260,937.00	\$260,939.00	\$0.00	\$260,939.00
	Transportation	<u>\$201,923.00</u>	<u>\$191,052.00</u>	<u>\$188,696.00</u>	<u>\$0.00</u>	<u>\$188,696.00</u>
	Sub total	\$452,798.00	\$451,989.00	\$449,635.00	\$0.00	\$449,635.00
<b>Transportation</b>						
	PL 112	\$609,415.31	\$123,457.66	\$795,891.00	\$50,000.00	\$845,891.00
	Section 5303	\$167,481.20	\$26,534.22	\$222,842.00	\$0.00	\$222,842.00
	CMAQ	\$124,496.46	\$16,865.43	\$81,293.00	\$0.00	\$81,293.00
	SPR	\$72,087.32	\$8,267.66	\$0.00	\$75,000.00	\$75,000.00
	Trans. Needs Assess. Fds	\$81,722.61	\$0.00	\$0.00	\$0.00	\$0.00
	St & Local Portion-Spec Nds	\$94,116.00	\$0.00	\$0.00	\$0.00	\$0.00
	MTF	\$26,754.27	\$0.00	\$20,631.00	\$0.00	\$20,631.00
	STP	<u>\$148,294.83</u>	<u>\$0.00</u>	<u>\$149,786.00</u>	<u>\$0.00</u>	<u>\$149,786.00</u>
	Sub total	\$1,324,368.00	\$175,124.97	\$1,270,443.00	\$125,000.00	\$1,395,443.00
<b>Reimbursements</b>						
	Contrib.-Clean Air	\$12,261.96	\$0.00	\$10,000.00	\$0.00	\$10,000.00
	Contrib.-Comm. Survey	\$0.00	\$2,000.00	\$0.00	\$2,000.00	\$2,000.00
	Misc. Sales, Etc.	\$73.65	\$506.90	\$100.00	\$0.00	\$100.00
	Cont. Rogue River	\$80.00	\$0.00	\$500.00	\$0.00	\$500.00
	REGIS-Indirect	\$9,676.00	\$0.00	\$6,000.00	\$0.00	\$6,000.00
	LGROW-Land Use Serv.	\$8,712.00	\$0.00	\$8,700.00	\$3,252.00	\$11,952.00
	Land Use Services	\$1,882.00	\$0.00	\$0.00	\$0.00	\$0.00
	Data Collection	\$25,180.20	\$0.00	\$21,000.00	\$7,670.00	\$28,670.00
	Local Participation Fee	\$15,974.21	\$0.00	\$12,400.00	\$0.00	\$12,400.00
	Water/Sewer-NPDES	\$166,314.00	\$34,042.00	\$177,761.00	\$0.00	\$177,761.00
	Events-Growing Comm	\$3,079.00	\$0.00	\$0.00	\$0.00	\$0.00
	Events	<u>\$0.00</u>	<u>\$1,100.00</u>	<u>\$6,000.00</u>	<u>\$0.00</u>	<u>\$6,000.00</u>
	Sub total	\$243,233.02	\$37,648.90	\$242,461.00	\$12,922.00	\$255,383.00
<b>Grants</b>						
	MDEQ-L.G.R.-Storm Educ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	MDEQ-L.G.R.-WS Initiatives	\$0.00	\$445.11	\$0.00	\$0.00	\$0.00
	EPA-Haz Mater. & Petrol.	<u>\$178,371.36</u>	<u>\$0.00</u>	<u>\$88,000.00</u>	<u>\$0.00</u>	<u>\$88,000.00</u>
	Sub total	\$178,371.36	\$445.11	\$88,000.00	\$0.00	\$88,000.00
<b>Interest</b>						
		<u>\$4,628.09</u>	<u>\$554.95</u>	<u>\$1,500.00</u>	<u>\$0.00</u>	<u>\$1,500.00</u>
<b>Total</b>						
		<b>\$2,203,398.47</b>	<b>\$665,762.93</b>	<b>\$2,052,039.00</b>	<b>\$137,922.00</b>	<b>\$2,189,961.00</b>

# GVMC FY 11-12 AMENDED BUDGET

**Fund:** General  
**Depart:** GVMC Board

Acct No.	Activity	Prior Year Actual FY 10-11	Three Months Actual FY 11-12	Approved Budget FY 11-12	Proposed Budget Amendment	Proposed Amended Bud FY 11-12
810.000	Meeting Exp	\$1,806.23	\$112.50	\$2,200.00	\$0.00	\$2,200.00
	Total	\$1,806.23	\$112.50	\$2,200.00	\$0.00	\$2,200.00

**Fund:** General  
**Depart:** Administration

Acct No.	Activity	Prior Year Actual FY 10-11	Three Months Actual FY 11-12	Approved Budget FY 11-12	Proposed Budget Amendment	Proposed Amended Bud FY 11-12
702.000	Salaries	\$219,098.29	\$55,546.54	\$221,257.00	\$19,390.00	\$240,647.00
712.100	Social Security Tax	\$14,160.20	\$3,546.72	\$13,719.00	\$1,203.00	\$14,922.00
712.200	Medicare Tax	\$3,338.84	\$829.45	\$3,499.00	\$282.00	\$3,781.00
712.300	State Unemployment Tax	\$676.29	\$0.00	\$676.00	\$0.00	\$676.00
712.500	Health/Dental Insurance	\$16,845.67	\$6,251.16	\$26,211.00	\$125.00	\$26,336.00
712.600	Life/Long Term Disb. Ins	\$2,605.44	\$803.80	\$2,804.00	\$0.00	\$2,804.00
712.700	Parking	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
712.800	Pension Plan Expense	\$20,993.13	\$5,204.45	\$19,914.00	\$1,750.00	\$21,664.00
726.000	Office Supplies	\$1,237.80	\$130.52	\$1,500.00	\$0.00	\$1,500.00
726.200	Postage	\$180.00	\$0.00	\$1,000.00	\$0.00	\$1,000.00
801.100	Audit	\$3,010.00	\$1,300.00	\$2,800.00	\$0.00	\$2,800.00
801.200	Legal Services	\$5,032.50	\$896.00	\$4,500.00	\$1,000.00	\$5,500.00
801.400	Contractual Serv	\$79.75	\$3,080.25	\$0.00	\$4,035.00	\$4,035.00
805.000	Adv/Legal Notice	\$1,487.76	\$0.00	\$1,000.00	\$0.00	\$1,000.00
810.000	Meeting Exp	\$7,290.55	\$2,431.32	\$8,000.00	\$1,000.00	\$9,000.00
815.000	Insurance	\$2,418.80	\$124.65	\$2,600.00	\$0.00	\$2,600.00
820.000	Dues and Sub	\$845.00	\$3.80	\$1,250.00	\$0.00	\$1,250.00
825.000	Professional Dev	\$600.00	\$0.00	\$2,000.00	\$0.00	\$2,000.00
860.000	Mileage	\$6,824.46	\$1,655.43	\$7,000.00	\$1,330.00	\$8,330.00
900.100	Printing	\$0.00	\$0.00	\$400.00	\$0.00	\$400.00
920.100	Electricity	\$854.40	\$188.66	\$950.00	\$0.00	\$950.00
920.200	Telephone	\$3,886.38	\$618.01	\$3,500.00	\$0.00	\$3,500.00
930.000	Repairs and Maint	\$920.84	\$85.56	\$1,000.00	\$185.00	\$1,185.00
940.100	Equipment Rent	\$1,107.27	\$295.49	\$1,200.00	\$0.00	\$1,200.00
940.200	Rent	\$12,724.13	\$4,372.08	\$13,215.00	\$0.00	\$13,215.00
955.000	Misc	\$554.19	\$44.06	\$550.00	\$0.00	\$550.00
	Total	\$326,771.69	\$87,407.95	\$340,545.00	\$30,300.00	\$370,845.00

**Fund:** General  
**Depart:** Pavement Management Vehicle

Acct No.	Activity	Prior Year Actual FY 10-11	Three Months Actual FY 11-12	Approved Budget FY 11-12	Proposed Budget Amendment	Proposed Amended Bud FY 11-12
738.000	Other Supplies	\$372.62	\$0.00	\$900.00	\$0.00	\$900.00
738.050	Other-Software	\$20,230.77	\$0.00	\$1,000.00	\$0.00	\$1,000.00
815.000	Insurance	\$6,406.59	\$0.00	\$7,000.00	\$0.00	\$7,000.00
825.000	Professional Develop	\$300.00	\$0.00	\$2,500.00	\$0.00	\$2,500.00
850.000	Vehicle Storage	\$0.00	\$0.00	\$600.00	\$0.00	\$600.00
881.000	Gas, Grease & Oil	\$2,420.92	\$0.00	\$1,500.00	\$0.00	\$1,500.00
920.200	Telephone	\$3,939.81	\$912.53	\$4,300.00	\$0.00	\$4,300.00
931.000	Vehicle Repair & Maint.	\$26,871.65	\$135.00	\$31,000.00	\$0.00	\$31,000.00
994.000	Loan Repayment	\$86,331.14	\$0.00	\$0.00	\$0.00	\$0.00
995.000	Interest	\$3,279.12	\$0.00	\$0.00	\$0.00	\$0.00
	Total	\$150,152.62	\$1,047.53	\$48,800.00	\$0.00	\$48,800.00

## GVMC FY 11-12 AMENDED BUDGET

Fund: General  
 Depart: Transportation

Acct No.	Activity	Prior Year	Three Months	Approved	Proposed	Proposed
		Actual FY 10-11	Actual FY 11-12	Budget FY 11-12	Budget Amendment	Amended Bud FY 11-12
702.000	Salaries	\$461,203.60	\$104,072.31	\$475,616.00	\$0.00	\$475,616.00
712.100	Social Security Tax	\$28,933.89	\$6,391.70	\$29,490.00	\$0.00	\$29,490.00
712.200	Medicare Tax	\$6,766.85	\$1,526.84	\$6,897.00	\$0.00	\$6,897.00
712.300	State Unemployment Tax	\$2,075.51	\$0.00	\$2,338.00	\$0.00	\$2,338.00
712.500	Health/Dental Insurance	\$81,896.79	\$31,393.11	\$105,460.00	\$335.00	\$105,795.00
712.600	Life/Long Term Disability	\$6,227.16	\$2,121.68	\$6,410.00	\$0.00	\$6,410.00
712.700	Parking	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
712.800	Pension Plan Expense	\$43,511.88	\$9,764.50	\$41,225.00	\$0.00	\$41,225.00
726.000	Office Supplies	\$3,908.18	\$445.48	\$6,000.00	\$0.00	\$6,000.00
726.200	Postage	\$570.00	\$0.00	\$3,500.00	\$0.00	\$3,500.00
801.100	Audit	\$6,460.00	\$2,990.00	\$6,200.00	\$0.00	\$6,200.00
801.300	Professional Fees	\$0.00	\$0.00	\$1,000.00	\$0.00	\$1,000.00
801.400	Contractual Serv	\$331,268.25	\$43,727.75	\$381,500.00	\$50,100.00	\$431,600.00
805.000	Adv/Legal Notice	\$1,423.26	\$380.46	\$3,750.00	\$0.00	\$3,750.00
810.000	Meeting Exp	\$3,134.41	\$622.93	\$6,000.00	\$0.00	\$6,000.00
815.000	Insurance	\$4,226.91	\$261.76	\$4,500.00	\$0.00	\$4,500.00
820.000	Dues and Sub	\$958.50	\$255.50	\$2,000.00	\$0.00	\$2,000.00
825.000	Professional Dev	\$4,043.25	\$0.00	\$6,000.00	\$0.00	\$6,000.00
860.000	Mileage	\$6,378.01	\$951.86	\$18,000.00	\$0.00	\$18,000.00
900.100	Printing	\$458.95	\$0.00	\$1,000.00	\$0.00	\$1,000.00
920.100	Electricity	\$2,089.96	\$461.51	\$2,100.00	\$0.00	\$2,100.00
920.200	Telephone	\$5,437.50	\$1,400.49	\$5,600.00	\$0.00	\$5,600.00
930.000	Repairs and Maint	\$1,622.72	\$224.60	\$2,000.00	\$495.00	\$2,495.00
940.100	Equipment Rent	\$2,906.37	\$775.63	\$3,500.00	\$0.00	\$3,500.00
940.200	Rent	\$31,043.98	\$10,694.64	\$32,325.00	\$0.00	\$32,325.00
955.000	Miscellaneous	\$53,706.00	\$0.00	\$0.00	\$0.00	\$0.00
980.100	Office Equipment	\$10,719.62	\$0.00	\$0.00	\$0.00	\$0.00
	Total	\$1,100,971.55	\$218,462.75	\$1,152,411.00	\$50,930.00	\$1,203,341.00

Fund: General  
 Depart: Rogue River

Acct No.	Activity	Prior Year	Three Months	Approved	Proposed	Proposed
		Actual FY 10-11	Actual FY 11-12	Budget FY 11-12	Budget Amendment	Amended Bud FY 11-12
900.100	Printing	\$0.00	\$0.00	\$500.00	\$0.00	\$500.00
	Total	\$0.00	\$0.00	\$500.00	\$0.00	\$500.00

## GVMC FY 11-12 AMENDED BUDGET

**Fund:** General  
**Depart:** Regional Planning Services

Acct No.	Activitiy	Prior Year	Three Months	Approved	Proposed	Proposed
		Actual	Actual	Budget	Budget	Amended Bud
		FY 10-11	FY 11-12	FY 11-12	Amendment	FY 11-12
702.000	Salaries	\$165,269.78	\$35,205.91	\$122,131.00	\$0.00	\$122,131.00
712.100	Social Security Tax	\$10,223.26	\$2,174.85	\$7,573.00	\$0.00	\$7,573.00
712.200	Medicare Tax	\$2,390.89	\$508.61	\$1,772.00	\$0.00	\$1,772.00
712.300	State Unemployment Tax	\$521.99	\$0.00	\$386.00	\$0.00	\$386.00
712.500	Health/Dental Insurance	\$26,219.28	\$9,671.04	\$20,764.00	\$110.00	\$20,874.00
712.600	Life/Long Term Disb. Ins.	\$2,155.92	\$718.64	\$1,665.00	\$0.00	\$1,665.00
712.800	Pension Plan Expense	\$14,949.66	\$3,193.28	\$10,992.00	\$0.00	\$10,992.00
726.000	Office Supplies	\$270.62	\$135.94	\$518.00	\$0.00	\$518.00
726.200	Postage	\$140.00	\$0.00	\$592.00	\$0.00	\$592.00
801.400	Contractual Serv	\$1,279.75	\$80.25	\$0.00	\$150.00	\$150.00
810.000	Meeting Exp	\$240.36	\$0.00	\$500.00	\$0.00	\$500.00
810.010	Growing Comm. Conf.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
815.000	Insurance	\$1,889.81	\$87.26	\$1,480.00	\$0.00	\$1,480.00
820.000	Dues and Sub	\$380.00	\$195.00	\$1,000.00	\$0.00	\$1,000.00
825.000	Professional Dev	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
860.000	Mileage	\$801.99	\$17.98	\$1,000.00	\$0.00	\$1,000.00
900.100	Printing	\$0.00	\$0.00	\$500.00	\$0.00	\$500.00
920.100	Electricity	\$989.25	\$218.45	\$814.00	\$0.00	\$814.00
920.200	Telephone	\$2,985.93	\$621.02	\$2,738.00	\$0.00	\$2,738.00
930.000	Repairs and Maint	\$448.79	\$53.48	\$407.00	\$120.00	\$527.00
940.100	Equipment Rental	\$692.02	\$184.68	\$962.00	\$0.00	\$962.00
940.200	Rent	\$14,692.21	\$5,062.04	\$11,322.00	\$0.00	\$11,322.00
	<b>Total</b>	\$246,541.51	\$58,128.43	\$187,116.00	\$380.00	\$187,496.00

**Fund:** General  
**Depart:** SPECIAL SERVICES

Acct No.	Activitiy	Prior Year	Three Months	Approved	Proposed	Proposed
		Actual	Actual	Budget	Budget	Amended Bud
		FY 10-11	FY 11-12	FY 11-12	Amendment	FY 11-12
801.022	Other-NPDES	\$166,314.35	\$14,969.26	\$177,761.00	\$0.00	\$177,761.00
801.048	Other-LGR-Org Wtsd Init	(\$508.22)	\$958.50	\$0.00	\$0.00	\$0.00
801.045	Other-LGR-St Wat Educ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
801.056	Other-EPA Haz Mat & Pet	\$196,078.32	\$50,180.84	\$78,000.00	\$0.00	\$78,000.00
	<b>Total</b>	\$361,884.45	\$66,108.60	\$255,761.00	\$0.00	\$255,761.00

**Fund:** General  
**Depart:** Strategic Initiatives

Acct No.	Activitiy	Prior Year	Three Months	Approved	Proposed	Proposed
		Actual	Actual	Budget	Budget	Amended Bud
		FY 10-11	FY 11-12	FY 11-12	Amendment	FY 11-12
702.000	Salaries	\$0.00	\$2,880.75	\$42,911.00	\$0.00	\$42,911.00
712.100	Social Security Tax	\$0.00	\$183.99	\$2,660.00	\$0.00	\$2,660.00
712.200	Medicare Tax	\$0.00	\$43.02	\$622.00	\$0.00	\$622.00
712.300	State Unemployment Tax	\$0.00	\$0.00	\$136.00	\$0.00	\$136.00
712.500	Health/Dental Insurance	\$0.00	\$0.00	\$7,296.00	\$0.00	\$7,296.00
712.600	Life/Long Term Disb. Ins.	\$0.00	\$0.00	\$585.00	\$0.00	\$585.00
712.800	Pension Plan Expense	\$0.00	\$259.27	\$3,862.00	\$0.00	\$3,862.00
726.000	Office Supplies	\$0.00	\$0.00	\$182.00	\$0.00	\$182.00
726.200	Postage	\$0.00	\$0.00	\$208.00	\$0.00	\$208.00
815.000	Insurance	\$0.00	\$0.00	\$520.00	\$0.00	\$520.00
920.100	Electricity	\$0.00	\$0.00	\$286.00	\$0.00	\$286.00
920.200	Telephone	\$0.00	\$0.00	\$962.00	\$0.00	\$962.00
930.000	Repairs and Maint	\$0.00	\$0.00	\$143.00	\$0.00	\$143.00
940.100	Equipment Rental	\$0.00	\$0.00	\$338.00	\$0.00	\$338.00
940.200	Rent	\$0.00	\$0.00	\$3,978.00	\$0.00	\$3,978.00
	<b>Total</b>	\$0.00	\$3,367.03	\$64,689.00	\$0.00	\$64,689.00



FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

DRAFT

# GRAND VALLEY METROPOLITAN COUNCIL

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## INDEPENDENT AUDITORS' REPORT

January ??, 2012

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, 2011, 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, 2011, 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, under separate cover, our report dated January ??, 2011, 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 7 and 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.

## 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 the Kent County transportation needs assessment with funding from the U.S. Department of Transportation and local sources.
  - Conducted a significant portion of a community-wide assessment at potential brownfield sites funded with a U.S. Environmental Protection Agency grant.
  - An audit of Federal Transportation Funding was conducted by the Michigan Department of Transportation Office of Commission Audit. The settlement of phase two of the audit was recorded as miscellaneous expense and a liability of approximately \$50,000 in the Council's general fund.
- REGIS
  - Expenditures were strategically kept under revenues which allowed for a transfer of \$250,000 to the REGIS capital projects fund.
  - A separate capital projects fund was established for REGIS with an initial transfer of \$250,000 from the REGIS special revenue fund.

### 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, REGIS, and LGROW funds. A budgetary comparison statement has been provided for the General, REGIS, and LGROW 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 (2) fiscal years. Net assets decreased \$183,141 during the year primarily as a result of a grant audit finding recorded as miscellaneous expense and claims payable in the current year. 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>2011</u>	<u>2010</u>
Current and other assets	\$2,583,702	\$2,497,532
Capital assets	100,674	203,038
<b>Total assets</b>	<b>2,684,376</b>	<b>2,700,570</b>
Current and other liabilities	1,007,610	924,657
Long-term liabilities	207,360	123,366
<b>Total liabilities</b>	<b>1,214,970</b>	<b>1,048,023</b>
Net assets		
Invested in capital assets, net of related debt	100,674	116,706
Restricted for REGIS	1,032,980	1,210,528
Restricted for LGROW	5,327	5,334
Unrestricted	330,425	319,979
<b>Total net assets</b>	<b>\$1,469,406</b>	<b>\$1,652,547</b>

## Income and Expenses

The Council's financial position declined during the year ended September 30, 2011 as a result of the grant audit finding noted above. Income was less than expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2011</u>	<u>2010</u>
<b>Program revenues</b>		
Charges for services	\$ 902,804	\$1,168,925
Operating grants	1,695,315	1,421,716
<b>General revenues</b>		
Metro Council dues	250,875	247,008
Unrestricted interest income	4,636	6,342
<b>Total revenues</b>	<b>2,853,630</b>	<b>2,843,991</b>
<b>Functions/program expenses</b>		
Transportation	1,163,019	1,272,061
Natural resources	361,884	338,547
Land use	244,663	317,375
Administration	387,947	371,274
REGIS	866,003	910,548
LGROW	9,977	2,021
Interest expense	3,278	10,075
<b>Total expenses</b>	<b>3,036,771</b>	<b>3,221,901</b>
<b>Change in net assets</b>	<b>(183,141)</b>	<b>(377,910)</b>
Net assets, beginning of year	1,652,547	2,030,457
<b>Net assets, end of year</b>	<b>\$1,469,406</b>	<b>\$1,652,547</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 \$1,576,092 an increase of \$3,217 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 \$372,285. The general fund reported a slight increase as budgeted.

The REGIS fund reported a decrease in fund balance which was less than budgeted as a result of cost reduction efforts.

The LGROW fund reported minimal operations during the year.

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

### Budgetary Highlights

General fund federal revenues and expenditures were less than budgeted as a result of budgeting for entire grant awards which were not entirely expended. The increase in both revenue and expenditure budgets was primarily the result of receipt of the needs assessment grant award and related expenditures.

### Capital Asset and Long-Term Debt Activities

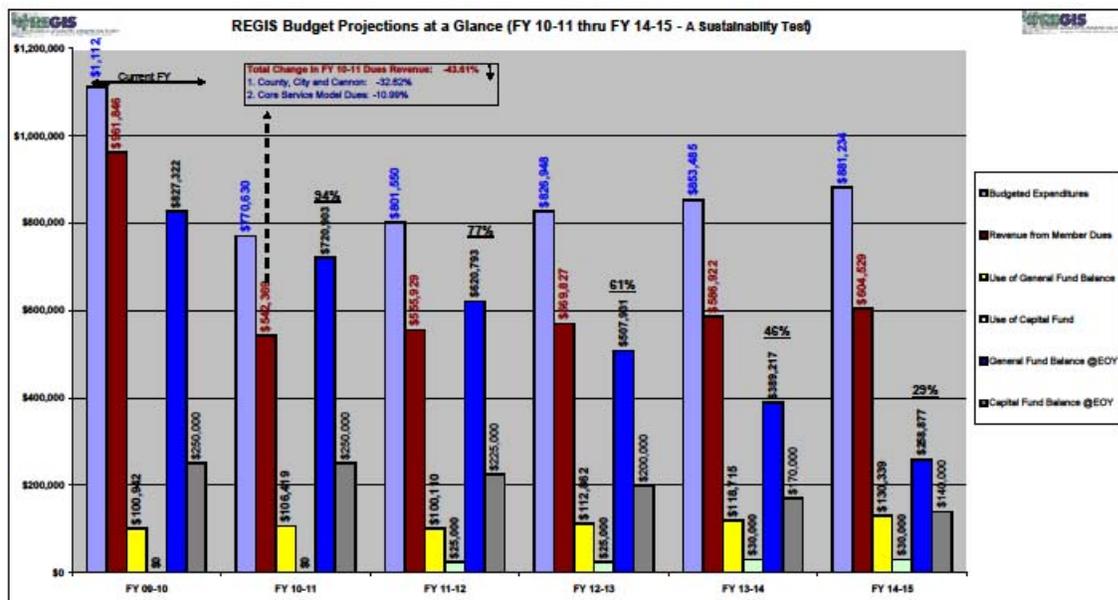
The Council's capital assets consist of furniture and equipment, vehicles and computer hardware and software. There were no additions to capital assets and depreciation expense on the road testing vehicle was approximately \$40,000 less than the previous year. Additional information on capital assets can be found in note 4 to the financial statements.

Debt activity consists of repayments made during the year on debt outstanding which was issued for the purchase of a road testing vehicle in 2006. A claims liability was recorded at year end of approximately \$165,000. 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.

REGIS had a reduction in the consortium membership revenue due to three membership suspensions. Staffing was reduced 33% to offset the reduction in membership dues. 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. The following graph details the five year budget.



July 27, 2010 REGIS Board of Directors Meeting: Agenda Item No. 4

Darrah Jain

## 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, Grand Valley Metropolitan Council, 678 Front Ave NW, Suite 200, Grand Rapids, MI 49504.

# GRAND VALLEY METROPOLITAN COUNCIL

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,903,949
Accounts receivable	672,351
Prepaid items	7,402
Capital assets, net	<u>100,674</u>
<b>Total assets</b>	<u>2,684,376</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	916,223
Accrued compensation	57,345
Unearned revenue	34,042
Noncurrent liabilities	
Compensated absences	41,860
Claims payable	<u>165,500</u>
<b>Total liabilities</b>	<u>1,214,970</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	100,674
Restricted for REGIS	(162,029)
Restricted for LGROW	5,327
Unrestricted	<u>1,525,434</u>
<b>Total net assets</b>	<u>\$ 1,469,406</u>

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

**GRAND VALLEY METROPOLITAN COUNCIL**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Indirect Expense Allocation</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
			<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>						
Governmental activities						
Transportation	\$ 1,163,019	\$ 290,135	\$ 243,077	\$ 1,264,542	\$ -	\$ 54,465
Natural resources	361,884	-	-	344,685	-	(17,199)
Land use	244,663	-	8,712	73,969	-	(161,982)
Administration	387,947	(290,135)	12,829	80	-	(84,903)
REGIS	866,003	-	638,186	2,069	-	(225,748)
LGROW	9,977	-	-	9,970	-	(7)
Interest expense	3,278	-	-	-	-	(3,278)
<b>Total governmental activities</b>	<b>\$ 3,036,771</b>	<b>\$ -</b>	<b>\$ 902,804</b>	<b>\$ 1,695,315</b>	<b>\$ -</b>	<b>(438,652)</b>
<b>General revenues</b>						
Membership						250,875
Interest earnings						4,636
<b>Total general revenues</b>						<b>255,511</b>
<b>Change in net assets</b>						<b>(183,141)</b>
<b>Net assets, beginning of year</b>						<b>1,652,547</b>
<b>Net assets, end of year</b>						<b>\$ 1,469,406</b>

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

**GRAND VALLEY METROPOLITAN COUNCIL**

**GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2011**

	Special Revenue			Capital Projects	Total
	General	REGIS	LGROW	REGIS	
<b>Assets</b>					
Cash and cash equivalents	\$ 694,697	\$ 951,457	\$ 2,927	\$ 254,868	\$ 1,903,949
Accounts receivable	663,742	6,209	2,400	-	672,351
Prepaid expenditures	3,931	3,471	-	-	7,402
<b>Total Assets</b>	<b>\$ 1,362,370</b>	<b>\$ 961,137</b>	<b>\$ 5,327</b>	<b>\$ 254,868</b>	<b>\$ 2,583,702</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 912,991	\$ 3,232	\$ -	\$ -	\$ 916,223
Accrued compensation and benefits	43,052	14,293	-	-	57,345
Deferred revenue	34,042	-	-	-	34,042
<b>Total Liabilities</b>	<b>990,085</b>	<b>17,525</b>	<b>-</b>	<b>-</b>	<b>1,007,610</b>
<b>Fund balances</b>					
Non-spendable					
Prepays	3,931	3,471	-	-	7,402
Restricted					
REGIS	-	940,141	-	254,868	1,195,009
LGROW	-	-	5,327	-	5,327
Unassigned	368,354	-	-	-	368,354
<b>Total fund balances</b>	<b>372,285</b>	<b>943,612</b>	<b>5,327</b>	<b>254,868</b>	<b>1,576,092</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,362,370</b>	<b>\$ 961,137</b>	<b>\$ 5,327</b>	<b>\$ 254,868</b>	<b>\$ 2,583,702</b>

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

# GRAND VALLEY METROPOLITAN COUNCIL

## RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

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<b>Fund balances - total governmental funds</b>	\$ 1,576,092
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)	100,674
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	(41,860)
Deduct - claims payable	<u>(165,500)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 1,469,406</u></b>

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, 2011**

	Special Revenue			Capital Projects	Total
	General	REGIS	LGROW	REGIS	
<b>Revenues</b>					
Federal grants - transportation	\$ 1,131,410	\$ -	\$ -	\$ -	\$ 1,131,410
Federal grants - other	178,371	-	-	-	178,371
State and local grants	359,271	-	-	-	359,271
Membership and project fees	452,798	542,368	9,970	-	1,005,136
Membership recovery fees	-	21,400	-	-	21,400
Donations	12,342	-	-	-	12,342
Charges for services	64,577	67,302	-	2,069	133,948
Interest income	4,636	7,116	-	-	11,752
<b>Total revenues</b>	<b>2,203,405</b>	<b>638,186</b>	<b>9,970</b>	<b>2,069</b>	<b>2,853,630</b>
<b>Expenditures</b>					
Current					
General government					
Salaries	845,571	303,497	-	-	1,149,068
Fringes	284,496	104,159	-	-	388,655
Contract services	694,513	149,808	8,712	-	853,033
Professional fees	-	6,588	-	-	6,588
Legal services	5,033	1,986	-	-	7,019
Audit services	9,470	2,530	-	-	12,000
Advertising	2,911	1,338	-	-	4,249
Insurance	14,943	5,249	-	-	20,192
Meeting expenditures	12,471	1,287	1,170	-	14,928
Dues and subscriptions	2,184	1,103	-	-	3,287
Equipment rental	4,705	2,214	-	-	6,919
Office supplies	5,790	5,345	95	-	11,230
Mileage	14,004	4,215	-	-	18,219
Postage	890	123	-	-	1,013
Printing	459	388	-	-	847
Electricity	3,933	2,549	-	-	6,482
Telephone	16,250	8,083	-	-	24,333
Professional development	4,943	5,487	-	-	10,430
Rent	58,460	38,869	-	-	97,329
Equipment	30,951	799	-	-	31,750
Repairs and maintenance	29,865	941	-	-	30,806
Fuel & oil	2,421	-	-	-	2,421
Miscellaneous	54,260	3,735	-	96	58,091
Capital outlay	-	-	-	1,914	1,914
Debt service					
Principal	86,332	-	-	-	86,332
Interest	3,278	-	-	-	3,278
<b>Total expenditures</b>	<b>2,188,133</b>	<b>650,293</b>	<b>9,977</b>	<b>2,010</b>	<b>2,850,413</b>
Revenues over (under) expenditures:	15,272	(12,107)	(7)	59	3,217
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	15,272	(32,107)	(7)	20,059	3,217
<b>Fund balances, beginning of year</b>	<b>357,013</b>	<b>975,719</b>	<b>5,334</b>	<b>234,809</b>	<b>1,572,875</b>
<b>Fund balances, end of year</b>	<b>\$ 372,285</b>	<b>\$ 943,612</b>	<b>\$ 5,327</b>	<b>\$ 254,868</b>	<b>\$ 1,576,092</b>

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, 2011

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 3,217</b>
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	(76,421)
Deduct - net book value of disposed capital assets	(25,943)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term debt	86,332
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.	
Deduct - increase in claims payable	(165,500)
Deduct - increase in compensated absences	<u>(4,826)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (183,141)</u></b>

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

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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, 2011

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When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

### **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 and LGROW 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, 2011

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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 for the current 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 those investment vehicles 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, 2011

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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, 2011

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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 expenditure/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 ended September 30, 2011, 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 functional level.

## **3. DEPOSITS AND INVESTMENTS**

The balance on the financial statements for cash and cash equivalents of \$1,903,949 consists of deposits in a bank of 605,956 and funds held in the Kent County Public Funds Investment Pool of \$1,297,993.

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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. As of year-end, \$250,000 of the Council's bank balance of \$687,165 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 the allowable investments to investment in the Kent County Investment Pool as identified in Note 1, the summary of significant accounting policies. There is no stated maturity date for the Council's investment in the Kent County Public Funds Investment Pool identified above. At September 30, 2011 the balance of the Kent County Public Funds Investment Pool consisted of the following:

<b><u>Investment</u></b>	<b><u>Percentage of pool total</u></b>	<b><u>Maturity in years</u></b>
Government agency securities	20%	0-3
Certificates of deposits	35%	0-3
Deposits,		
Money markets and other pools	45%	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 Public Funds Investment Pool is not rated as to risk. The Kent County Public Funds 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 Public Funds 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 reported above.

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2011</u>
<b>Governmental activities</b>				
<b>Capital assets, being depreciated</b>				
Furniture and fixtures	\$159,929	\$ -	\$ 14,763	\$145,166
Equipment and vehicles	831,001	-	56,213	774,788
Total capital assets, being depreciated	<u>990,930</u>	<u>-</u>	<u>70,976</u>	<u>919,954</u>
Less accumulated depreciation for				
Furniture and fixtures	80,233	5,741	14,763	71,211
Equipment and vehicles	707,659	70,680	30,270	748,069
Total accumulated depreciation	<u>787,892</u>	<u>76,421</u>	<u>45,033</u>	<u>819,280</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$203,038</u></b>	<b><u>\$(76,421)</u></b>	<b><u>\$25,943</u></b>	<b><u>\$10,674</u></b>

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

<b>Governmental activities</b>	
Transportation	\$ 58,169
REGIS	<u>18,252</u>
Total	<u>\$76,421</u>

### 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, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Claims payable	\$ -	\$165,500	\$ -	\$165,500	\$ -
Note payable to a bank. Payments due in monthly installments of \$8,137 through August 2011, including interest at 7.4%	<u>\$86,332</u>	<u>\$ -</u>	<u>\$86,332</u>	<u>\$ -</u>	<u>\$ -</u>
Compensated absences payable	<u>\$37,034</u>	<u>\$ 41,860</u>	<u>\$37,034</u>	<u>\$ 41,860</u>	<u>\$37,034</u>

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

### 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 \$97,329 for the year ended September 30, 2011. The Council also leases office equipment under various lease terms expiring through 2013. Equipment rental expenditures were \$6,919 for the year ended September 30, 2011.

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, 2011:

<u>Year</u>	<u>Amount</u>
2012	\$103,857
2013	106,448
2014	106,638
2015	106,314
2016	109,455
2017-2019	<u>440,019</u>
<b>Total</b>	<b><u><u>\$972,722</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 who voluntarily elect to participate in the plan 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 ending September 30, 2011 was \$1,149,068. The Council's contribution of \$100,761 was calculated using the base salary amount of \$1,119,567. Council employees made contributions to the plan totaling \$33,587, which was 3% 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.

**GRAND VALLEY METROPOLITAN COUNCIL**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal grants - transportation	\$ 1,179,351	\$ 1,307,901	\$ 1,131,410	\$ (176,491)
Federal grants - other	269,100	269,100	178,371	(90,729)
State and local grants	197,668	272,668	359,271	86,603
Membership and project fees	448,763	448,763	452,798	4,035
Donations	7,500	7,500	12,342	4,842
Charges for service	12,100	22,694	64,577	41,883
Interest income	5,000	2,000	4,636	2,636
<b>Total revenues</b>	<u>2,119,482</u>	<u>2,330,626</u>	<u>2,203,405</u>	<u>(127,221)</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	794,935	839,519	845,571	(6,052)
Fringes	286,518	301,677	284,496	17,181
Contract services	686,461	831,893	694,513	137,380
Professional fees	1,000	1,000	-	1,000
Legal services	5,500	5,500	5,033	467
Audit services	9,350	9,350	9,470	(120)
Advertising	4,750	4,750	2,911	1,839
Insurance	17,300	17,300	14,943	2,357
Meeting expenditures	20,700	20,700	12,471	8,229
Dues and subscriptions	4,750	4,750	2,184	2,566
Equipment rental	6,600	6,600	4,705	1,895
Office supplies	12,250	12,250	5,790	6,460
Mileage	26,800	26,800	14,004	12,796
Postage	5,000	5,000	890	4,110
Printing	2,400	2,400	459	1,941
Electricity	4,300	4,300	3,933	367
Telephone	16,650	16,650	16,250	400
Professional development	16,500	16,500	4,943	11,557
Rent	59,075	59,075	58,460	615
Equipment, furniture and software	11,000	11,000	30,951	(19,951)
Repairs and maintenance	35,200	35,200	29,865	5,335
Fuel & oil	3,000	3,000	2,421	579
Miscellaneous	550	550	54,260	(53,710)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	84,860	84,860	86,332	(1,472)
Interest	3,130	3,130	3,278	(148)
<b>Total expenditures</b>	<u>2,118,579</u>	<u>2,323,754</u>	<u>2,188,133</u>	<u>135,621</u>
Net changes in fund balance	903	6,872	15,272	8,400
<b>Fund balance, beginning of year</b>	<u>357,013</u>	<u>357,013</u>	<u>357,013</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 357,916</u>	<u>\$ 363,885</u>	<u>\$ 372,285</u>	<u>\$ 8,400</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, 2011**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Membership dues	\$ 542,369	\$ 542,369	\$ 542,368	\$ (1)
Membership recovery fees (new members)	21,500	21,500	21,400	(100)
Charges for services	90,000	90,000	67,302	(22,698)
Interest income	10,342	10,342	7,116	(3,226)
<b>Total revenues</b>	<u>664,211</u>	<u>664,211</u>	<u>638,186</u>	<u>(26,025)</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	319,880	319,880	303,497	16,383
Fringes	119,116	119,116	104,159	14,957
Contract services				
Software maintenance agreements	118,450	118,450	115,167	3,283
Software license	16,500	16,500	897	15,603
Other contractual services	33,000	33,000	33,744	(744)
Professional fees	12,875	12,875	6,588	6,287
Legal services	3,478	3,478	1,986	1,492
Audit services	3,200	3,200	2,530	670
Advertising	1,688	1,688	1,338	350
Insurance	6,883	6,883	5,249	1,634
Meeting expenditures	5,000	5,000	1,287	3,713
Dues and subscriptions	1,159	1,159	1,103	56
Equipment rental	3,939	3,939	2,214	1,725
Office supplies	9,218	9,218	5,345	3,873
Mileage	5,500	5,500	4,215	1,285
Postage	563	563	123	440
Printing	1,500	1,500	388	1,112
Electricity	5,464	5,464	2,549	2,915
Telephone	8,240	8,240	8,083	157
Professional development	5,000	5,000	5,487	(487)
Rent	42,230	42,230	38,869	3,361
Equipment and furniture	4,371	4,371	799	3,572
Repairs and maintenance	3,377	3,377	941	2,436
Miscellaneous	20,000	20,000	3,735	16,265
<b>Total expenditures</b>	<u>750,631</u>	<u>750,631</u>	<u>650,293</u>	<u>100,338</u>
Revenues over (under) expenditures	(86,420)	(86,420)	(12,107)	74,313
Other financing sources (uses)				
Transfers out	(20,000)	(20,000)	(20,000)	-
Net changes in fund balance	(106,420)	(106,420)	(32,107)	74,313
<b>Fund balance, beginning of year</b>	<u>975,719</u>	<u>975,719</u>	<u>975,719</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 869,299</u>	<u>\$ 869,299</u>	<u>\$ 943,612</u>	<u>\$ 74,313</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, 2011**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Membership dues	\$ 11,800	\$ 11,800	\$ 9,970	\$ (1,830)
<b>Total revenues</b>	<u>11,800</u>	<u>11,800</u>	<u>9,970</u>	<u>(1,830)</u>
<b>Expenditures</b>				
Current				
General government				
Contract services	8,712	8,712	8,712	-
Meeting expenditures	1,100	1,100	1,170	(70)
Office supplies	1,988	1,988	95	1,893
<b>Total expenditures</b>	<u>11,800</u>	<u>11,800</u>	<u>9,977</u>	<u>1,823</u>
Net changes in fund balance	-	-	(7)	(7)
<b>Fund balance, beginning of year</b>	<u>5,334</u>	<u>5,334</u>	<u>5,334</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,334</u>	<u>\$ 5,334</u>	<u>\$ 5,327</u>	<u>\$ (7)</u>



SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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# 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 ??, 2012

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 the Grand Valley Metropolitan Council, Grand Rapids, Michigan, as of and for the year ended September 30, 2011, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements and have issued our report thereon dated January ??, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 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 *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. 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 2011-1 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

The 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 the 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, 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.

**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 ??, 2012

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

**Compliance**

We have audited the compliance of the Grand Valley Metropolitan Council with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Grand Valley Metropolitan Council's major federal programs for the year ended September 30, 2011. The 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 the Grand Valley Metropolitan Council's management. Our responsibility is to express an opinion on the 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 the 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 the Grand Valley Metropolitan Council's compliance with those requirements.

In our opinion, the 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, 2011.

**Internal Control Over Compliance**

The management of the 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 the 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 the 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 the Grand Valley Metropolitan Council as of and for the year ended September 30, 2011, and have issued our report thereon dated January ??, 2011 which contained an unqualified opinion 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 OMB 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**GRAND VALLEY METROPOLITAN COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Expenditures of Federal Awards
Federal Highway Administration Passed through Michigan Department of Transportation				
FY 2010 Unified Work Program	20.205	2009-0004/Z18	\$ 750,000	\$ 609,415
FY 2010 Unified Work Program - FTA Sect. 5303	20.205	2009-0004/Z19	207,524	167,481
Air Quality Outreach Program for Ozone	20.205	2009-0004/Z23/R1	235,709	124,496
STPU - Pavement Management System	20.205	2009-0004/Z21/R1	215,072	90,098
STPU - Congestion Management System	20.205	2009-0004/Z20/R1	150,399	29,631
STPU - GIS	20.205	2009-004/Z22/R1	161,205	28,566
Needs Assessment in Kent County	20.515	2009-0473/Z1	120,000	81,723
Total passed through Michigan Department of Transportation				<u>1,131,410</u>
US Environmental Protection Agency				
Grand Valley Metropolitan Council - Brownfield	66.818	BF-00E95301-0	400,000	<u>178,371</u>
TOTAL				<u>\$ 1,309,781</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.

**GRAND VALLEY METROPOLITAN COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

**Financial Statements**

Type of auditors' report issued	Unqualified on basic financial statements	
Internal controls over financial reporting		
Material weaknesses identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards**

Internal control over major programs		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 Circular A-133, section 510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Transportation

Dollar threshold used to distinguish between Type A and B programs?	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

2011-1

**Conditions:** 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.

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

**Recommendation:** Grand Valley Metropolitan Council's system of control 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 were noted.

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

2010-1

This finding is identified as 2011-1 above for the current year.