



## SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013



*Vredeveld Haefner LLC*

# 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 27, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Grand Valley Metropolitan Council (the "Council") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 27, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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**Purpose of this Report**

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

*Wendyold Haefner LLC*



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

January 27, 2014

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

**Report on Compliance for Each Major Federal Program**

We have audited Grand Valley Metropolitan Council's (the "Council") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2013. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Council's internal control over compliance.

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements. We issued our report thereon dated January 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Urodeuxeld Haefner LLC*

**GRAND VALLEY METROPOLITAN COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<b>Federal Agency/Pass-through Grantor/Program Title</b>	CFDA Number	Expenditures
<b><u>Federal Highway Administration</u></b>		
Passed through Michigan Department of Transportation:		
Unified Work Program	20.205	\$ 613,776
STPU - Geographic Information System	20.205	20,381
STPU - Pavement Management System	20.205	25,699
STPU - Congestion Management System	20.205	28,599
CMAQ - Air Quality Outreach Program for Ozone	20.205	56,862
SPR - US-131/I-96 Corridor	20.205	<u>60,000</u>
<b>Total Federal Highway Administration</b>		<b><u>805,317</u></b>
<b><u>Federal Transit Administration</u></b>		
Passed through Michigan Department of Transportation:		
Metropolitan Transportation Planning	20.505	<u>150,287</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 955,604</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, 2013**

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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>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>      </u> yes	<u>  X  </u> no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and B programs:       \$300,000      

Auditee qualified as low-risk auditee?        yes   X   no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

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

None noted.

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

**2012-1**

This finding has been resolved for the current year.



## FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013



*Vredeveld Haefner LLC*

# GRAND VALLEY METROPOLITAN COUNCIL

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## INDEPENDENT AUDITORS' REPORT

January 27, 2014

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Valley Metropolitan Council (the Council), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grand Valley Metropolitan Council as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 25 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*Uredaxeld Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

## About the Council

Grand Valley Metropolitan Council (the Council) serves local units of government in the West Michigan area in different facets of transportation 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

- Through careful planning and budgeting, the General Fund balance has increased. Through a two-year process, the fund balance is now at a solid level to provide continuation of services in case of any unforeseen economic issues and the agency is significantly more fiscally sustainable for the future.
- Staffing costs and fringes continued to be monitored and were well below historical averages. Staffing is now balanced and sufficient for the services we are providing.
- The transportation improvement program resulted in 162 projects being obligated for a total federal amount of over \$89 million dollars coming to our service area.
- A full-time staff member for Environmental Programs was hired in the 4<sup>th</sup> Quarter. This resulted in a dramatic reduction in outside service fees to monitor the NPDES program. It also resulted in an increase in revenues for GVMC by providing direct consulting services. This decision will have an ongoing, positive result in future years as capacity will be available to expand services to members and qualify for additional project responsibilities through grants.
- GVMC saw a dramatic increase in attendance at all events during the year especially 3 to 4 times the historically average attendance at Quarterly Luncheons. Greater attendance and sponsorships of meetings has generated revenue for the agency and helped fund educational programs for the members.

### REGIS

- Working on a major strategic overhaul of the system and technology aimed at enhancing the system performance, reliability, and availability.
- Added first associate member from the private sector.
- Developed effective technology tools, utilizing the in-house resources, for the REGIS members to easily and quickly access information and services.
- Successfully served the nineteen member consortium of approximately six hundred users with a staffing model of six full-time and one part time employee.

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

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

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

### **Fund financial statements**

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

### **Governmental funds**

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

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

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

### **Notes to the financial statements**

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

### **Other information**

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

## Government-wide Financial Analysis

The following table presents condensed information about the Council's financial position for the past two fiscal years. Net position increased \$278,553 during the year primarily as a result of cost control measures. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation.

	<u>2013</u>	<u>2012</u>
Current and other assets	\$2,714,525	\$2,804,432
Capital assets	93,805	89,450
<b>Total assets</b>	<b><u>2,808,330</u></b>	<b><u>2,893,882</u></b>
Current and other liabilities	380,616	755,950
Long-term liabilities	42,370	31,141
<b>Total liabilities</b>	<b><u>422,986</u></b>	<b><u>787,091</u></b>
Net position		
Invested in capital assets	93,805	89,450
Restricted for REGIS	840,820	935,417
Restricted for environmental programs	77,325	35,304
Unrestricted	1,373,394	1,046,620
<b>Total net position</b>	<b><u>\$2,385,344</u></b>	<b><u>\$2,106,791</u></b>

## Income and Expenses

The Council's financial position improved during the year ended September 30, 2013 as a result of revenues exceeding expenses. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2013</u>	<u>2012</u>
<b>Program revenues</b>		
Charges for services	\$ 992,818	\$1,014,327
Operating grants	1,216,033	1,766,948
<b>General revenues</b>		
Metro Council dues	257,419	260,791
Unrestricted interest income	5,365	5,713
<b>Total revenues</b>	<b><u>2,471,635</u></b>	<b><u>3,047,779</u></b>
<b>Functions/program expenses</b>		
Transportation	744,671	940,871
Natural resources	-	266,124
Administration	452,520	604,310
REGIS	802,449	758,526
Environmental programs	193,442	6,063
<b>Total expenses</b>	<b><u>2,193,082</u></b>	<b><u>2,575,894</u></b>
Change in net position	278,553	471,885
<b>Net position, beginning of year</b>	<b><u>2,106,791</u></b>	<b><u>1,634,906</u></b>
<b>Net position, end of year</b>	<b><u>\$2,385,344</u></b>	<b><u>\$2,106,791</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 \$2,333,909 an increase of \$285,427 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 \$1,156,917. The general fund reported an increase.

The REGIS capital projects fund reports a transfer from the REGIS special revenue fund as well as equipment purchases for computer upgrades.

## **Budgetary Highlights**

### **GVMC**

General Fund grant revenues were lower than budgeted as the budget represented the maximum amount of grant levels we could attain. Due to our current staffing levels successfully meeting the needs of the transportation program, it was not necessary to fully maximize the hours available through the grants to complete the work. Staffing salaries and fringes likewise are less than budget as we are operating at an efficient level. Savings were also achieved this year though tight expense monitoring resulting in overall expenses far lower than budgeted.

### **REGIS**

Ended the fiscal year with actual expenditures well in line with the budgeted amount through careful planning and constant monitoring of financial and human resources.

The capital expenditures came well under the budgeted amount.

## **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. Additional information on capital assets can be found in Note 4 to the financial statements.

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

## **Economic Factors and Next Year's Budget**

### **GVMC**

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

### **REGIS**

The REGIS budget includes a five-year projection for revenues, expenditures and fund balances. At the end of the five years and ongoing, the Regis fund balance will be maintained at 25% of projected expenditures.

## **Contacting the Council Management**

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

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## **BASIC FINANCIAL STATEMENTS**

# GRAND VALLEY METROPOLITAN COUNCIL

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,167,545
Accounts receivable	523,615
Prepaid items	23,365
Capital assets, net	<u>93,805</u>
<b>Total assets</b>	<u>2,808,330</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	318,278
Accrued compensation	58,210
Unearned revenue	4,128
Noncurrent liabilities	
Compensated absences	<u>42,370</u>
<b>Total liabilities</b>	<u>422,986</u>
<b>Net Position</b>	
Invested in capital assets	93,805
Restricted for REGIS	840,820
Restricted for Environmental Programs	77,325
Unrestricted	<u>1,373,394</u>
<b>Total net position</b>	<u>\$ 2,385,344</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, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Indirect Expense Allocation</b>	<b>Program Revenues</b>		
			<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expense) Revenue</b>
<b>Primary government</b>					
Governmental activities					
Transportation	\$ 744,671	\$ 337,973	\$ 221,907	\$ 990,590	\$ 129,853
Administration	452,520	(337,973)	43,485	-	(71,062)
REGIS	802,449	-	718,631	-	(83,818)
Environmental programs	<u>193,442</u>	<u>-</u>	<u>8,795</u>	<u>225,443</u>	<u>40,796</u>
Total governmental activities	<u>\$ 2,193,082</u>	<u>\$ -</u>	<u>\$ 992,818</u>	<u>\$ 1,216,033</u>	<u>15,769</u>
General revenues					
Membership					257,419
Interest earnings					<u>5,365</u>
Total general revenues					<u>262,784</u>
Change in net position					278,553
<b>Net position, beginning of year</b>					<u>2,106,791</u>
<b>Net position, end of year</b>					<u>\$ 2,385,344</u>

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

**GRAND VALLEY METROPOLITAN COUNCIL**

**GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2013**

	Special Revenue			Capital Projects	Total
	General	REGIS	Environmental Programs	REGIS	
<b>Assets</b>					
Cash and cash equivalents	\$ 970,202	\$ 876,677	\$ 85,184	\$ 235,482	\$ 2,167,545
Accounts receivable	521,823	1,878	(86)	-	523,615
Prepaid expenditure:	19,221	4,144	-	-	23,365
<b>Total assets</b>	<b>\$ 1,511,246</b>	<b>\$ 882,699</b>	<b>\$ 85,098</b>	<b>\$ 235,482</b>	<b>\$ 2,714,525</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 296,218	\$ 17,959	\$ 4,101	\$ -	\$ 318,278
Accrued compensation and benefits	34,762	19,776	3,672	-	58,210
Deferred revenue	4,128	-	-	-	4,128
<b>Total liabilities</b>	<b>335,108</b>	<b>37,735</b>	<b>7,773</b>	<b>-</b>	<b>380,616</b>
<b>Fund balances</b>					
Non-spendable					
Prepaid expenditures	19,221	4,144	-	-	23,365
Restricted					
REGIS	-	840,820	-	-	840,820
Environmental Programs	-	-	77,325	-	77,325
Assigned for REGIS capital projects	-	-	-	235,482	235,482
Unassigned	1,156,917	-	-	-	1,156,917
<b>Total fund balances</b>	<b>1,176,138</b>	<b>844,964</b>	<b>77,325</b>	<b>235,482</b>	<b>2,333,909</b>
<b>Total liabilities and fund balance:</b>	<b>\$ 1,511,246</b>	<b>\$ 882,699</b>	<b>\$ 85,098</b>	<b>\$ 235,482</b>	<b>\$ 2,714,525</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 POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

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<b>Fund balances - total governmental funds</b>	\$ 2,333,909
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	93,805
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(42,370)</u>
<b>Net position of governmental activities</b>	<u>\$ 2,385,344</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, 2013**

	Special Revenue			Capital Projects	Total
	General	REGIS	Environmental Programs	REGIS	
<b>Revenues</b>					
Federal grants - transportation	\$ 955,604	\$ -	\$ -	\$ -	\$ 955,604
State and local grants	34,986	-	193,093	-	228,079
Membership and project fees	448,653	656,284	8,000	-	1,112,937
Other contributions	-	20,381	-	-	20,381
Donations	-	-	32,350	-	32,350
Charges for services	74,158	36,860	-	1,160	112,178
Interest income	5,365	3,946	795	-	10,106
<b>Total revenues</b>	<u>1,518,766</u>	<u>717,471</u>	<u>234,238</u>	<u>1,160</u>	<u>2,471,635</u>
<b>Expenditures</b>					
Current					
General government					
Salaries	665,621	367,940	4,168	-	1,037,729
Fringes	211,284	116,163	1,115	-	328,562
Grant specific and contractual costs	89,913	167,803	186,385	-	444,101
Professional fees	38,293	34,040	-	-	72,333
Legal services	-	325	-	-	325
Advertising	2,183	-	-	-	2,183
Insurance	12,396	7,505	-	-	19,901
Meeting expenditures	18,476	830	463	-	19,769
Dues and subscriptions	1,993	1,778	-	-	3,771
Equipment rental	4,762	1,228	-	-	5,990
Office supplies	5,022	7,083	-	-	12,105
Mileage	5,967	683	-	-	6,650
Postage	-	104	-	-	104
Printing	244	1,480	86	-	1,810
Electricity	3,410	4,110	-	-	7,520
Telephone	9,663	6,710	-	-	16,373
Professional development	50	5,386	-	-	5,436
Rent	62,861	40,717	-	-	103,578
Equipment	-	2,534	-	-	2,534
Repairs and maintenance	384	3,713	-	-	4,097
Miscellaneous	4,217	8,133	-	-	12,350
Capital outlay	43,903	-	-	35,084	78,987
<b>Total expenditures</b>	<u>1,180,642</u>	<u>778,265</u>	<u>192,217</u>	<u>35,084</u>	<u>2,186,208</u>
Revenues over (under) expenditures	<u>338,124</u>	<u>(60,794)</u>	<u>42,021</u>	<u>(33,924)</u>	<u>285,427</u>
Other financing sources (uses)					
Transfers in	8,000	-	-	28,500	36,500
Transfers out	-	(36,500)	-	-	(36,500)
Total other financing sources (uses)	<u>8,000</u>	<u>(36,500)</u>	<u>-</u>	<u>28,500</u>	<u>-</u>
Net changes in fund balances	346,124	(97,294)	42,021	(5,424)	285,427
<b>Fund balances, beginning of year</b>	<u>830,014</u>	<u>942,258</u>	<u>35,304</u>	<u>240,906</u>	<u>2,048,482</u>
<b>Fund balances, end of year</b>	<u>\$ 1,176,138</u>	<u>\$ 844,964</u>	<u>\$ 77,325</u>	<u>\$ 235,482</u>	<u>\$ 2,333,909</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, 2013

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 285,427</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.	
Add - capital outlay	34,651
Deduct - depreciation expense	(30,296)
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 compensated absences	<u>(11,229)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 278,553</u></b>

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, 2013

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

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

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

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

The Council reports the following major governmental funds:

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

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

The *Environmental Programs Fund* accounts for the accumulation and disbursement of resources for the Lower Grand River Organization of Watersheds Activity.

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

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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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 current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in 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, Environmental Programs 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, 2013

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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 did not amend its budget during the year. Any revisions that alter the expenditures at the function level within the fund must be approved by the Council Board.

### ***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, 2013

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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 position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

#### ***Net Position and Fund Balance Reporting***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal 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 or assigned by resolution of the Policy Board.

When multiple net position/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, 2013

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### ***Membership Dues***

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

### ***Grants and Other Intergovernmental Revenues***

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

### ***Interfund Transactions***

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

### ***Risk Management***

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

## **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

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

In the body of the financial statements, the Council's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the line item level while the legal level of budgetary control as set by the Board is at the function level.

During the year ended September 30, 2013, 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, 2013

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### 3. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and cash equivalents of \$2,167,545 consists of deposits in a bank of \$606,708 and funds held in the Kent County Public Funds Investment Pool of \$1,560,837.

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, none of the Council's bank balance is insured however it is collateralized with securities held by the pledging financial institution's 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 indicated in Note 1, the summary of significant accounting policies. There is no stated maturity date for the Council's investment in the Kent County Investment Pool. At September 30, 2013 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	18%	0-5
Certificates of deposits	44%	0-4
Deposits, money markets and other pools	38%	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, 2013

*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:

	<b>Balance October 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance September 30, <u>2013</u></b>
<b>Governmental activities</b>				
<b>Capital assets, being depreciated</b>				
Furniture and fixtures	\$134,719	\$ -	\$ -	\$134,719
Equipment and vehicles	758,643	34,651	7,807	785,487
Total capital assets, being depreciated	893,362	34,651	7,807	920,206
Less accumulated depreciation for				
Furniture and fixtures	84,477	10,236	-	94,713
Equipment and vehicles	719,435	20,060	7,807	731,688
Total accumulated depreciation	803,912	30,296	7,807	826,401
<b>Governmental activities capital assets, net</b>	<b>\$89,450</b>	<b>\$ 4,355</b>	<b>\$ -</b>	<b>\$ 93,805</b>

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

<b>Governmental activities</b>	
Transportation	\$11,443
REGIS	18,853
Total	\$30,296

#### 5. LONG-TERM LIABILITIES

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

	<b>Balance October 1, <u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance September 30, <u>2013</u></b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Compensated absences payable	\$31,141	\$42,370	\$31,141	\$42,370	\$ -
	\$31,141	\$42,370	\$31,141	\$42,370	\$ -

# GRAND VALLEY METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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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 totaled \$103,218 for the year ended September 30, 2013. The Council also leases office equipment under various lease terms expiring through 2017. Equipment rental expenditures totaled \$3,780 for the year ended September 30, 2013.

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, 2013:

<u>Year ending September 30</u>	<u>Amount</u>
2014	\$106,314
2015	109,455
2016	112,752
2017	116,112
2018	119,517
2019	91,629
<b>Total</b>	<b>\$655,779</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 at least 3% of eligible wages. The Council contributes 9% of each participant's eligible wages to the plan. The plan provisions and contribution amounts were established and may be amended by the Council Board. The Council's total payroll for the year ended September 30, 2013 was \$1,030,368. The Council's contribution of \$90,456 was calculated using the base salary amount of \$1,030,368. Council employees made contributions to the plan totaling \$92,806, which was approximately 9% 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, 2013**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal grants - transportation	\$ 1,331,619	\$ 1,331,619	\$ 955,604	\$ (376,015)
State and local grants	20,366	20,366	34,986	14,620
Membership and project fees	451,655	451,655	448,653	(3,002)
Donations	5,500	5,500	-	(5,500)
Charges for service	18,500	18,500	74,158	55,658
Interest income	1,850	1,850	5,365	3,515
<b>Total revenues</b>	<u>1,829,490</u>	<u>1,829,490</u>	<u>1,518,766</u>	<u>(310,724)</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	852,260	852,260	665,621	186,639
Fringes	333,328	333,328	211,284	122,044
Grant specific and contractual costs	390,562	390,562	89,913	300,649
Professional fees	37,500	37,500	38,293	(793)
Legal services	9,000	9,000	-	9,000
Advertising	6,950	6,950	2,183	4,767
Insurance	9,100	9,100	12,396	(3,296)
Meeting expenditures	16,500	16,500	18,476	(1,976)
Dues and subscriptions	4,250	4,250	1,993	2,257
Equipment rental	6,000	6,000	4,762	1,238
Office supplies	13,500	13,500	5,022	8,478
Mileage	27,330	27,330	5,967	21,363
Printing	1,900	1,900	244	1,656
Electricity	4,150	4,150	3,410	740
Telephone	12,800	12,800	9,663	3,137
Professional development	8,000	8,000	50	7,950
Rent	61,200	61,200	62,861	(1,661)
Repairs and maintenance	4,350	4,350	384	3,966
Miscellaneous	7,500	7,500	4,217	3,283
Capital outlay	25,000	25,000	43,903	(18,903)
<b>Total expenditures</b>	<u>1,831,180</u>	<u>1,831,180</u>	<u>1,180,642</u>	<u>650,538</u>
Revenues over (under) expenditures	(1,690)	(1,690)	338,124	339,814
Other financing sources (uses)				
Transfers in	6,000	6,000	8,000	2,000
Net changes in fund balance	4,310	4,310	346,124	341,814
<b>Fund balance, beginning of year</b>	<u>830,014</u>	<u>830,014</u>	<u>830,014</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 834,324</u>	<u>\$ 834,324</u>	<u>\$ 1,176,138</u>	<u>\$ 341,814</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, 2013**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Membership dues	\$ 656,285	\$ 656,285	\$ 656,284	\$ (1)
Other contributions	21,400	21,400	20,381	(1,019)
Charges for services	66,000	66,000	36,860	(29,140)
Interest income	5,997	5,997	3,946	(2,051)
<b>Total revenues</b>	<u>749,682</u>	<u>749,682</u>	<u>717,471</u>	<u>(32,211)</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	362,130	362,130	367,940	(5,810)
Fringes	147,889	147,889	116,163	31,726
Contract services				
Software maintenance agreements	125,000	125,000	116,980	8,020
Software license	12,500	12,500	14,810	(2,310)
Other contractual services	35,090	35,090	36,013	(923)
Professional fees	21,000	21,000	34,040	(13,040)
Legal services	5,000	5,000	325	4,675
Advertising	1,688	1,688	-	1,688
Insurance	5,500	5,500	7,505	(2,005)
Meeting expenditures	4,000	4,000	830	3,170
Dues and subscriptions	2,000	2,000	1,778	222
Equipment rental	2,500	2,500	1,228	1,272
Office supplies	8,768	8,768	7,083	1,685
Mileage	5,665	5,665	683	4,982
Postage	500	500	104	396
Printing	1,545	1,545	1,480	65
Electricity	3,200	3,200	4,110	(910)
Telephone	10,098	10,098	6,710	3,388
Professional development	5,000	5,000	5,386	(386)
Rent	42,000	42,000	40,717	1,283
Equipment and furniture	4,503	4,503	2,534	1,969
Repairs and maintenance	3,478	3,478	3,713	(235)
Miscellaneous	8,000	8,000	8,133	(133)
<b>Total expenditures</b>	<u>817,054</u>	<u>817,054</u>	<u>778,265</u>	<u>38,789</u>
Revenues over (under) expenditures	(67,372)	(67,372)	(60,794)	6,578
Other financing sources (uses)				
Transfers out	(28,500)	(28,500)	(36,500)	(8,000)
Net changes in fund balance	(95,872)	(95,872)	(97,294)	(1,422)
<b>Fund balance, beginning of year</b>	<u>942,258</u>	<u>942,258</u>	<u>942,258</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 846,386</u>	<u>\$ 846,386</u>	<u>\$ 844,964</u>	<u>\$ (1,422)</u>

**GRAND VALLEY METROPOLITAN COUNCIL**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State and local grants	\$ 165,261	\$ 165,261	\$ 193,093	\$ 27,832
Membership dues	7,755	7,755	8,000	245
Donations	25,000	25,000	32,350	7,350
Interest income	-	-	795	795
<b>Total revenues</b>	<u>198,016</u>	<u>198,016</u>	<u>234,238</u>	<u>36,222</u>
<b>Expenditures</b>				
Current				
General government				
Salaries	13,960	13,960	4,168	9,792
Fringes	-	-	1,115	(1,115)
Grant specific and contractual costs	191,421	191,421	186,385	5,036
Meeting expenditures	600	600	463	137
Printing	1,000	1,000	86	914
<b>Total expenditures</b>	<u>206,981</u>	<u>206,981</u>	<u>192,217</u>	<u>14,764</u>
Net changes in fund balance	(8,965)	(8,965)	42,021	50,986
<b>Fund balance, beginning of year</b>	<u>35,304</u>	<u>35,304</u>	<u>35,304</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 26,339</u>	<u>\$ 26,339</u>	<u>\$ 77,325</u>	<u>\$ 50,986</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, 2013**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ 1,000	\$ 1,000	\$ 1,160	\$ 160
<b>Expenditures</b>				
Current				
General government				
Miscellaneous	10,000	10,000	-	10,000
Capital outlay	<u>32,000</u>	<u>32,000</u>	<u>35,084</u>	<u>(3,084)</u>
<b>Total expenditures</b>	<u>42,000</u>	<u>42,000</u>	<u>35,084</u>	<u>6,916</u>
Revenues over (under) expenditures	(41,000)	(41,000)	(33,924)	7,076
Other financing sources (uses)				
Transfers in	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Net changes in fund balance	(12,500)	(12,500)	(5,424)	7,076
<b>Fund balance, beginning of year</b>	<u>240,906</u>	<u>240,906</u>	<u>240,906</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 228,406</u>	<u>\$ 228,406</u>	<u>\$ 235,482</u>	<u>\$ 7,076</u>



## *Vredeveld Haefner LLC*

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January 27, 2014

To 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 (the Council) for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *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 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Results

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. The Council adopted Statement of Governmental Accounting Standards (GASB Statement) No. 62 and No. 63 in 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets is based on previous historical actual and expected future usefulness of those 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of contingencies and grants in Note 8 to the financial statements.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

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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 27, 2014.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

We also noted the following items:

During our review of internal control over the purchasing process we noted an instance in which the Council made a purchase without soliciting bids pursuant to the Council's purchasing policy. Furthermore, there was no documentation of the Executive Director's approval of the purchase since it was for a capital asset purchase over \$1,000. We recommend that the Council implement procedures to ensure compliance with the provisions of the purchasing policy.

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

Sincerely,

*Uredaxeld Haefner LLC*