Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Grand Valley Metropolitan Council	Kent

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
9/30/06	2/9/07	4/26/07

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below**. (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
CROWE CHIZEK AND COMPANY LLC	616-774-0774

Street Address	City	State	Zip
55 CAMPAU AVE, NW, SUITE 300	GRAND RAPIDS	MI	49503

Authorizing CPA Signature	Printed Name	License Number
Robert L. Herr CPA	ROBERT L. HERR	1101014570

GRAND VALLEY METROPOLITAN COUNCIL

FINANCIAL STATEMENTS

September 30, 2006 and 2005

GRAND VALLEY METROPOLITAN COUNCIL
Grand Rapids, Michigan

FINANCIAL STATEMENTS
September 30, 2006 and 2005

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Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Valley Metropolitan Council ("Council") as of and for the years ended September 30, 2006 and 2005, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006 and 2005, and the respective changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 9, 2007 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 through 7 and the Budgetary Comparison Statements on pages 22 through 25 are not a required part of the basic financial statements but is supplementary information required by the Accounting Principles Generally Accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Grand Rapids, Michigan
March 9, 2007

This section of the Grand Valley Metropolitan Council ("Council") financial report provides a discussion and analysis of the financial performance during the year ended September 30, 2006. Please read it in conjunction with the accompanying financial statements and footnotes which immediately follow this section.

Financial Highlights

General Fund Activities

Total fund balance for the General Fund increased by $12,236, which represents a 3.0% increase from year-end 2005. Revenues and other financing sources in 2006 increased by $569,504 or 32.4% since 2005 and the expenses increased by $448,637 or 24.0% from 2005. These increases are due primarily to the financing for and the acquisition of equipment totaling $422,753.

REGIS Fund Activities

Total fund balance for REGIS Fund, which is where the Regional Geographic Information System ("REGIS") activities are recorded, decreased by $15,156, which represents a 1.5% decrease from year-end 2005. Revenues for the REGIS Fund decreased by $311,440, which is a decrease of 27.4% from fiscal year 2005. A vast majority of this decrease was the result of the new Federated REGIS Model implemented in fiscal year 2005-2006. In the new model, two member agencies changed their membership from supported to affiliated members paying dues for affiliated services only. In addition, expenses increased $138,357 from fiscal year 2005 due to new hires for vacant positions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's 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 other supplementary information 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.

(Continued)

The *statement of activities* presents information showing how the government'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 (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 8-10 of this report.

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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 a government'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 government'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 maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for both the General and REGIS funds, each of which is considered to be a major fund.

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

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

(Continued)

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

The REGIS Fund of the Council includes:

REGIS is an ongoing initiative to provide a common digitized database of the demographic, infrastructure and other spatial needs of the member participants. The major source of funding for REGIS is from formula-based participant contributions, which has reduced by 27.3% from fiscal year 2005 to fiscal year 2006 due to the new Federated REGIS model.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

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. The notes to the financial statements can be found on pages 15-21 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* This includes the management discussion and analysis and the budgetary comparison statements for all major funds.

(Continued)

Government-wide Financial Analysis

Net Assets

The net assets of the Council were $1,787,669 at September 30, 2006 which represents a 13.2% increase from year-end 2005. Total assets increased by $724,265 and total liabilities increased by $515,226. At September 30, 2005 the net assets of the Council were $1,578,630 which represents a 24.4% increase from year-end 2004 due to the increase in total assets of $155,828 and the decrease in total liabilities of $153,511.

	2006	2005	2004
Assets	$ 2,570,039	$ 1,845,774	$ 1,689,946
Liabilities	782,370	267,144	420,655
Net assets	$ 1,787,669	$ 1,578,630	$ 1,269,291

Change in Net Assets

Net assets increased $209,039 for year ended September 30, 2006, compared to an increase in net assets of $309,339 for the year 2005. The primary reason for the change was increased state and local grant revenue coupled with the Council's continued efforts to control expenses.

	For the year		
	2006	2005	2004
Revenues	$ 3,135,252	$ 2,892,327	$ 3,142,324
Expenses	2,926,213	2,582,988	3,494,012
Change in net assets	$ 209,039	$ 309,339	$ (351,688)

General Fund Budgetary Highlights

The Council adopts an annual appropriated budget for its General and REGIS funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The only significant differences between the original and final amended budgets and between final amended budgets and actual expenditures were due to the purchase of the new Pavement Management van. The purchase and the financing of the van affected the capital outlay, debt service, vehicle depreciation, and proceeds from issuance of debt.

(Continued)

Capital Assets and Debt Administration

The Council does not have significant capital asset needs. It does not own any buildings. Capital assets include office furniture and equipment, vehicles, and computer hardware and software. The change in capital assets for year-end 2006 from 2005 is attributed to $476,652 expenditures for vehicles and computer hardware and depreciation expense of $116,022. During the fiscal year 2005 the Council had $50,634 of expenditures for computer hardware and depreciation expense of $59,463.

The Council obtained a note for $406,000 during 2006 to finance the purchase of specific equipment. The note is due in monthly payments of $8,137 through August 2011.

Economic and other Factors

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

Contacting the Grand Valley Metropolitan Council's Financial Management

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

GRAND VALLEY METROPOLITAN COUNCIL
STATEMENTS OF NET ASSETS
September 30, 2006 and 2005

	Governmental Activities	
	2006	2005
ASSETS		
Cash and cash equivalents	$ 1,569,474	$ 1,198,686
Accounts receivable	487,436	480,053
Prepaid expenses		14,536
Capital assets – net	513,129	152,499
Total assets	2,570,039	1,845,774
LIABILITIES		
Accounts payable	201,832	186,947
Accrued compensation and other withholdings	70,975	57,520
Deferred revenue	109,113	22,677
Long-term liabilities		
Due within one year	70,375	
Due in more than one year	330,075	
Total liabilities	782,370	267,144
NET ASSETS		
Investment in capital assets – net of related debt	112,679	152,499
Unrestricted	1,674,990	1,426,131
Total net assets	$ 1,787,669	$ 1,578,630

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
STATEMENT OF ACTIVITIES
Year ended September 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Program Revenues: Capital Grants/ Contributions	Government Activities Net (Expense) Revenue and Changes in Net Assets
Primary government - governmental activities					
Transportation	$ 949,157	$ 47,591	$ 1,167,802		$ 266,236
Natural resources	395,581		378,051		(17,530)
Land use	238,926	21,784	91,654		(125,488)
General government	341,171				(341,171)
REGIS	854,868				(854,868)
Interest on long-term debt	12,485				(12,485)
Total governmental activities	$ 2,792,188	$ 69,375	$ 1,637,507		(1,085,306)
General revenues					
Membership fees					1,186,948
Unrestricted investment earnings					101,562
Miscellaneous revenue					5,835
Change in net assets					209,039
Net assets - beginning of year					1,578,630
Net assets - end of year					$ 1,787,669

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
STATEMENT OF ACTIVITIES
Year ended September 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants/ Contributions	Program Revenues: Capital Grants/ Contributions	Government Activities Net (Expense) Revenue and Changes in Net Assets
Primary government - governmental activities					
Transportation	$ 1,044,689	$ 52,843	$ 965,192		$ (26,654)
Natural resources	254,234		243,260		(10,974)
Land use	380,339	21,860	89,988		(268,491)
General government	207,910				(207,910)
REGIS	695,816		17,000		(678,816)
Total governmental activities	$ 2,582,988	$ 74,703	$ 1,315,440		(1,192,845)
General revenues					
Membership fees					1,437,436
Unrestricted investment earnings					59,217
Miscellaneous revenue					5,531
Change in net assets					309,339
Net assets - beginning of year					1,269,291
Net assets - end of year					$ 1,578,630

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
GOVERNMENTAL FUNDS
BALANCE SHEETS
September 30, 2006 and 2005

	2006			2005		
	General Fund	REGIS Fund	Total Governmental Funds	General Fund	REGIS Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 553,838	$ 1,015,636	$ 1,569,474	$ 182,749	$ 1,015,937	$ 1,198,686
Accounts receivable	154,949	4,454	159,403	395,776	9,661	405,437
Prepaid expenses				9,233	5,303	14,536
Total assets	$ 708,787	$ 1,020,090	$ 1,728,877	$ 587,758	$ 1,030,901	$ 1,618,659
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 160,268	$ 41,564	$ 201,832	$ 144,042	$ 42,905	$ 186,947
Accrued compensation and withholdings	30,547	8,918	39,465	24,416	3,232	27,648
Deferred revenue	109,113		109,113	22,677		22,677
Total liabilities	299,928	50,482	350,410	191,135	46,137	237,272
Fund balances						
Unreserved - undesignated	408,859	969,608	1,378,467	396,623	984,764	1,381,387
Total liabilities and fund balances	$ 708,787	$ 1,020,090	$ 1,728,877	$ 587,758	$ 1,030,901	$ 1,618,659

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
Years ended September 30, 2006 and 2005

	2006	2005
Fund balance - total governmental funds	$ 1,378,467	$ 1,381,387
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:		
Cost of the capital assets	985,747	509,095
Accumulated depreciation	(472,618)	(356,596)
Net investment in capital assets	513,129	152,499
Assets not available to pay for current period expenditures and therefore are deferred in the funds:		
Grants receivable	328,033	74,616
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds		
Note payable	(400,450)	
Compensated absences	(31,510)	(29,872)
Net assets - governmental activities	$ 1,787,669	$ 1,578,630

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
STATEMENTS OF GOVERNMENT FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Years ended September 30, 2006 and 2005

	2006			2005		
	General Fund	REGIS Fund	Total	General Fund	REGIS Fund	Total
Revenues						
Federal grants - transportation	$ 818,358		$ 818,358	$ 863,072		$ 863,072
Federal grants	52,800		52,800			
State and local grants	442,675		442,675	344,430	$ 17,000	361,430
Membership and project fees (Note 3)	397,344	$ 789,604	1,186,948	351,756	1,085,680	1,437,436
Westrain activities	75,227		75,227	75,573		75,573
Kent County Land Use				49,988		49,988
UCB Land Use	50,000		50,000	40,000		40,000
Land Use - Form Based Code Study	14,700		14,700			
Donations	5,540		5,540	9,030		9,030
Interest and other income	66,979	34,583	101,562	26,270	32,947	59,217
	1,923,623	824,187	2,747,810	1,760,119	1,135,627	2,895,746
Expenses						
Contracted services	652,068	187,878	839,946	771,650	110,417	882,067
Salaries	685,510	332,947	1,018,457	611,242	315,089	926,331
Fringe benefits	228,083	116,547	344,630	217,337	118,335	335,672
Professional fees		36,747	36,747			
Legal services	1,544		1,544	1,409	1,632	3,041
Audit fees	12,700	2,700	15,400	10,400	2,625	13,025
Advertising	1,662	4,169	5,831	4,704	1,509	6,213
Insurance	37,560	4,854	42,414	5,680	4,777	10,457
Meetings	33,911	4,368	38,279	45,084	625	45,709
Dues and subscriptions	3,502	746	4,248	3,556		3,556
Equipment rental	4,711	3,444	8,155	4,715	3,596	8,311
Office supplies	11,747	6,589	18,336	7,638	4,076	11,714
Mileage	13,023	3,747	16,770	14,263	746	15,009
Postage	2,720	282	3,002	4,987	485	5,472
Printing	369	244	613	511	34	545
Electricity	6,169	3,719	9,888	5,643	3,501	9,144
Telephone	5,821	6,168	11,989	4,759	7,599	12,358
Professional development	9,499	17,146	26,645	6,964	22,465	29,429
Rent	59,142	40,520	99,662	56,203	40,147	96,350
Repairs and maintenance	5,520	2,380	7,900	5,223	5,015	10,238
Westrain activities	84,327		84,327	84,000		84,000
Miscellaneous	17,011	9,403	26,414	1,949	510	2,459
Debt service - interest expense	12,485		12,485			
Debt service - principal	5,550		5,550			
Capital outlay	422,753	54,745	477,498	833	57,803	58,636
	2,317,387	839,343	3,156,730	1,868,750	700,986	2,569,736
Revenue over (under) expenses	(388,214)	(15,156)	(408,920)	(108,631)	434,641	326,010
Other financing sources						
Proceeds from issuance of debt	406,000		406,000			
Net change in fund balances	12,236	(15,156)	(2,920)	(108,631)	434,641	326,010
Fund balances - at beginning of year	396,623	984,764	1,381,387	505,254	550,123	1,055,377
Fund balances - at end of year	$ 408,859	$ 969,608	$ 1,378,467	$ 396,623	$ 984,764	$ 1,381,387

See accompanying notes to financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Years ended September 30, 2006 and 2005

	2006	2005
Net change in fund balances - total governmental funds	$ (2,920)	$ 326,010
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	(116,023)	(59,463)
Capitalized capital outlay	476,653	50,634
Total	360,630	(8,829)
Some grants receivable are not collectible within 60 days of year-end and therefore are not reported as revenue in governmental funds.		
Increase (decrease) in grants receivable	253,417	(3,419)
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 governmental funds.		
Increase in the accrual for compensated absences	(1,638)	(4,423)
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long - term debt)	5,550	
Proceeds from long - term borrowings are reported as a source of funds in the governmental funds, but not in the statements of activities (where it increases long - term debt)	(406,000)	
Change in net assets of governmental activities	$ 209,039	$ 309,339

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Receivables: All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets: Capital assets which include furniture, equipment, and computers and vehicles are recorded at cost for purchased assets and at estimated fair market value on the date received for donated assets.

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

Depreciation is computed using the straight-line method over the estimated useful lives generally from five to seven years.

Compensated Absences: It is the Council's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Council. Vested compensated absences are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006, the Council carried commercial insurance to cover most 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.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2006 and 2005, the carrying amount of cash was $1,523,506 and $1,154,601, respectively. Of the bank balances, $100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances of $1,423,506 and $1,054,601 were not collateralized at September 30, 2006 and 2005, respectively.

Investments: At September 30, 2006 and 2005, the Council's investments were as follows:

	2006	2005
LaSalle Bank - Public Funds Investment Trust	$ 45,968	$ 44,085

The Council's cash and investments are subject to several types of risk, which are examined in more detail below:

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

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Council's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. The Council believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Council evaluates each financial institution which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments: 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. The Council does not have a policy for custodial credit risk. At year end, the investment with LaSalle Bank was uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Council's name.

NOTE 3 - MEMBERSHIP FEES

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

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

	General Fund		REGIS Fund	
	2006	2005	2006	2005
Grants receivable due from Federal Government Department of Transportation	$ 152,827	$ 382,921		
Receivables due from members	2,122	12,855	$ 4,454	$ 9,661
	$ 154,949	$ 395,776	$ 4,454	$ 9,661

(Continued)

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets as of September 30, 2006 and 2005:

	September 30, 2006			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 96,006	$ 8,184		$ 104,190
Equipment	72,476	2,402		74,878
Computers	340,613	442,589		783,202
Vehicles		23,477		23,477
	509,095	476,652		985,747
Accumulated depreciation				
Furniture and fixtures	88,232	5,166		93,398
Equipment	66,072	4,702		70,774
Computers	202,292	103,806		306,098
Vehicles		2,348		2,348
	336,596	116,022		472,618
Capital assets – net	$ 152,499	$ 360,630		$ 513,129

	September 30, 2005			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 96,006			$ 96,006
Equipment	72,476			72,476
Computers	289,979	$ 50,634		340,613
	458,461	50,634		509,095
Accumulated depreciation				
Furniture and fixtures	83,066	5,166		88,232
Equipment	60,989	5,083		66,072
Computers	153,078	49,214		202,292
	297,133	59,463		356,596
Capital assets – net	$ 161,328	$ (8,829)		$ 152,499

(Continued)

NOTE 6 - PENSION PLAN

The Council has a money purchase retirement plan based on Section 401(a) of the Internal Revenue Code. While participation is voluntary, participants are required to contribute 3% of eligible wages on a pre-tax basis. Employer contributions to participant accounts are based on 9% of each participant's eligible wages. Covered and total payroll was $996,193 and $1,020,095 for the year ended September 30, 2006 and $985,978 and $1,000,261 for the year ended September 30, 2005. Employer contributions to the retirement plan were $89,657 and $88,738 for the years ended September 30, 2006 and 2005, respectively.

NOTE 7 - LEASES

The Council leases office space under a lease agreement expiring December 31, 2008, with an option to renew an additional five years. Rent expense for the office lease for the years ended September 30, 2006 and 2005 was $99,662 and $96,350, respectively.

The Council leases office equipment under various lease terms. Equipment rental expense for the years ended September 30, 2006 and 2005 was $8,155 and $8,311, respectively.

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

2007	$ 101,740
2008	99,483
2009	23,464
	$ 224,687

NOTE 8 - LONG-TERM DEBT

The Council obtained a note payable in 2006 to provide for the acquisition of specialized equipment. The note is due in monthly installments of $8,137 through August 2011, including interest at 7.4%.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 Governmental activities - note payable		$ 406,000	$ 5,550	$ 400,450	$ 70,375

(Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

At September 30, 2006, debt service requirements were as follows:

Year ended September 30,	Principal	Interest
2007	$ 70,375	$ 27,272
2008	75,763	21,884
2009	81,564	16,083
2010	87,808	9,839
2011	84,940	4,570
	$ 400,450	$ 79,648

REQUIRED SUPPLEMENTAL INFORMATION

GRAND VALLEY METROPOLITAN COUNCIL
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
Year ended September 30, 2006

	Original Budget	Final Budget	Actual	Final Budget - Actual Variance
Revenues				
Federal grants - transportation	$ 1,268,651	$ 1,441,210	$ 818,358	$ (622,852)
Federal grants	78,699	78,699	52,800	(25,899)
State and local grants	220,694	267,256	442,675	175,419
Membership fees	397,343	397,343	397,344	1
Westrain activities		50,000	75,227	25,227
Kent County Land Use study		20,000	14,700	(5,300)
UCB - Lower Ground Water	30,000	50,000		(50,000)
UCB Land Use			50,000	50,000
Donations			5,540	5,540
Interest income	15,000	42,000	66,979	24,979
	2,010,387	2,346,508	1,723,623	(422,885)
Expenses				
Contracted services	839,874	869,874	652,068	217,806
Salaries	695,195	748,135	685,510	62,625
Fringes	244,145	265,505	228,083	37,422
Professional fees	900	900		900
Legal services	1,500	1,500	1,544	(44)
Audit	12,500	12,500	12,700	(200)
Advertising	4,500	4,500	1,662	2,838
Insurance	8,000	8,000	37,560	(29,560)
Meetings	17,350	47,000	33,911	13,089
Dues and subscriptions	4,300	4,300	3,502	798
Equipment rental	5,350	5,350	4,711	639
Office supplies	10,000	10,000	11,747	(1,747)
Mileage	15,000	18,500	13,023	5,477
Postage	4,900	4,900	2,720	2,180
Printing	1,450	3,450	369	3,081
Electricity	7,250	7,250	6,169	1,081
Telephone	5,150	5,150	5,821	(671)
Professional development	8,000	12,000	9,499	2,501
Rent	57,979	57,979	59,142	(1,163)
Repairs and maintenance	3,450	6,350	5,520	830
Vehicle depreciation		72,000		72,000
Westrain activities		50,000	84,327	(34,327)
Miscellaneous	2,000	2,000	17,011	(15,011)
Debt service - interest expense		19,023	12,485	6,538
Debt service - principal			5,550	(5,550)
Capital outlay	10,565	10,815	422,753	(411,938)
	1,959,358	2,246,981	2,317,387	(70,406)
Revenues over (under) expenses	51,029	99,527	(388,214)	(493,291)
Other financing sources				
Proceeds from issuance of debt			406,000	406,000
Net change in fund balance	51,029	99,527	12,236	(87,291)
Fund balance - at beginning of year	396,623	396,623	396,623	
Fund balance - at end of year	$ 447,652	$ 496,150	$ 408,859	$ (87,291)

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

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

GRAND VALLEY METROPOLITAN COUNCIL
BUDGETARY COMPARISON STATEMENT - REGIS FUND
Year ended September 30, 2006

	Original Budget	Final Budget	Actual	Final Budget - Actual Variance
Revenues				
Grants	$ 17,000			
Project fees	789,604	$ 789,604	$ 789,604	
Other income	20,000	35,000	34,583	$ (417)
	826,604	824,604	824,187	(417)
Expenses				
Contracted services	209,767	212,000	187,878	24,122
Salaries	410,096	410,096	332,947	77,149
Fringes	158,573	158,573	116,547	42,026
Professional fees	25,000	37,500	36,747	753
Legal services	3,090	3,090		3,090
Audit	3,605	3,605	2,700	905
Advertising	2,000	2,000	4,169	(2,169)
Insurance	5,150	5,150	4,854	296
Meetings	1,500	6,000	4,368	1,632
Dues and subscriptions	1,030	1,030	746	284
Equipment rental	3,500	3,500	3,444	56
Office supplies	7,000	6,000	6,589	(589)
Mileage	3,000	3,000	3,747	(747)
Postage	2,000	1,200	282	918
Printing	300	300	244	56
Electricity	5,923	5,923	3,719	2,204
Telephone	17,510	10,000	6,168	3,832
Professional development	15,000	20,000	17,146	2,854
Rent	53,560	48,000	40,520	7,480
Office equipment	15,000	15,000	50,840	(35,840)
Repairs and maintenance	3,000	4,000	2,380	1,620
Depreciation				
Equipment - software		4,000	3,905	95
Capital	250,000	226,637		226,637
Miscellaneous	1,000	10,000	9,403	597
	1,196,604	1,196,604	839,343	357,261
Revenue over (under) expenses	(370,000)	(372,000)	(15,156)	356,844
Fund balance - at beginning of year	984,764	984,764	984,764	
Fund balance - at end of year	$ 614,764	$ 612,764	$ 969,608	$ 356,844

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

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

[1] Original and final budget

OTHER SUPPLEMENTAL INFORMATION

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
Federal Highway Administration		
Passed-through Michigan Department of Transportation		
Pavement Management System Development	20.205	$ 119,848
Grand Rapids Urbanized Area Section 112	20.205	610,297
Congestion Mitigation/Air Quality Ozone Action Program	20.205	58,904
FTA Section of Planning Funds Section 8	20.205	164,428
State Planning and Research	20.205	118,298
Environmental Protection Agency		
Passed-through State of Michigan Department of Environmental Quality		
Nonpoint Source Implementation Grants	66.460	52,800
		$ 1,124,575

NOTE 1 - BASIS OF PRESENTATION

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

Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Grand Valley Metropolitan Council (the Council) as of and for the year ended September 30, 2006, and have issued our report thereon dated March 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the Council in a separate letter dated March 9, 2007.

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

Crowe Chizek and Company LLC

Grand Rapids, Michigan
March 9, 2007

Crowe

Crowe Chizek and Company LLC
Member Horwath International

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

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

Compliance

We have audited the compliance of Grand Valley Metropolitan Council ("Council") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2006. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Grand Rapids, Michigan
March 9, 2007

1. Summary of Auditor's Results:

   a. An unqualified opinion was issued on the financial statements of Grand Valley Metropolitan Council for the year ended September 30, 2006.

   b. The audit disclosed no instances of noncompliance that are material to the financial statements.

   c. An unqualified opinion was issued to Grand Valley Metropolitan Council on their compliance for major programs.

   d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

   e. Major programs identified:

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

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

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

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

   None

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

4. There were no prior year findings.

Crowe

Crowe Chizek and Company LLC
Member Horwath International

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

In planning and performing our audit of the financial statements of Grand Valley Metropolitan Council ("Council") for the year ended September 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that might be of interest to you.

SEGREGATION OF DUTIES

During our review of the procedures for the Council we noted that the Director of Finance has the ability to perform all functions related to all of the Council's major business cycles, such as revenue, expenditures, financial management, payroll and compliance. In addition, this individual initiates all journal entries and reconciles the cash accounts. Management performs various review procedures, including the budget to actual comparison and dual check signing to offset this control weakness.

Though a complete segregation of duties may not be feasible because of your small staff size, it is important for management to continue implementing control procedures or checks and balances to offset the lack of segregation of duties. The use of a checklist of the major accruals and reconciliations that should be reviewed and approved by a second individual each month may be an effective tool. We would be glad to meet with you to help find other cost-effective ways to solve this issue.

PROPERTY AND EQUIPMENT - RECORDKEEPING

The Council has outsourced the recordkeeping for property and equipment to its auditors. Because the cost of outsourcing is increasing and the investment in property and equipment is becoming significant, the Council should assume the responsibility for maintaining these detailed records in the future.

We recommend that the Council either purchase a "fixed asset" software package or use a spreadsheet, similar to the example we have provided, to account for its property, equipment and depreciation.

This report is intended solely for the information and use of the Council representatives, and others within the organization, and is not to be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Grand Rapids, Michigan
March 9, 2007