

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 <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grnd Valley Metropolitan Council	County Kent
Fiscal Year End September 30, 2007	Opinion Date November 15, 2007	Date Audit Report Submitted to State December 24, 2007	

We affirm that:

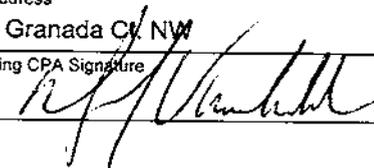
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Included with single audit	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616-446-7474	
Street Address 4001 Granada Ct NW		City Grand Rapids	State Zip MI 49534
Authorizing CPA Signature 		Printed Name Douglas J. Vredeveld	License Number 21289



FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

GRAND VALLEY METROPOLITAN COUNCIL

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Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

November 15, 2007

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council, as of and for the year ended September 30, 2007, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Grand Valley Metropolitan Council. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grand Valley Metropolitan Council as of September 30, 2007, and the respective changes in financial position, and the budgetary comparison for the general fund and the REGIS fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover a report dated November 15, 2007, on our consideration of the Grand Valley Metropolitan Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by 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.

Vredeveld Haefner LLC

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

- 2006-2007 was the first full year that the Council operated the street assessment van.
- Through watchful planning and monitoring of expenditures, the Council General Fund was able to end the year with an excess of revenues over expenditures.
- Addition of two new members to the REGIS consortium.
- \$103,428 increase in REGIS revenue from membership dues and recovery fees.
- Use of REGIS Fund fund balance was restricted to \$93,201 through strategic management of the operating budget. The use of fund balance was originally projected at \$399,601.
- Expenditures in various REGIS contractual services were strategically reduced by approximately 25%.

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 other supplementary information (this management discussion and analysis) in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

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

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council only utilizes governmental funds.

Governmental funds

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

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

The Council adopts an annual appropriated budget for its General and REGIS Funds. A budgetary comparison statement has been provided for the General and REGIS Funds to demonstrate compliance with this budget.

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 *supplementary information*. This is limited to this discussion and analysis.

Government-wide Financial Analysis

The following table presents condensed information about the Council's financial position for the past two (2) fiscal years. Net assets decreased \$66,084 during the year. Total net assets include the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation

	<u>2007</u>	<u>2006</u>
Current and other assets	\$2,089,741	\$2,056,910
Capital assets	439,222	513,129
Total assets	<u>2,528,963</u>	<u>2,570,039</u>
Current and other liabilities	436,044	381,920
Long-term liabilities	371,327	400,450
Total liabilities	<u>807,378</u>	<u>782,370</u>
Net assets		
Invested in capital assets, net of related debt	108,713	112,679
Restricted for REGIS	876,407	969,608
Unrestricted	736,465	705,382
Total net assets	<u>\$1,721,585</u>	<u>\$1,787,669</u>

Income and Expenses

The Council has maintained a stable financial position during the year ended September 30, 2007. Income was slightly less than expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2007</u>	<u>2006</u>
Program revenues		
Charges for services	\$1,058,095	\$1,047,702
Operating grants	1,215,297	1,637,507
General revenues		
Metro Council dues	243,204	243,204
Unrestricted interest income	33,012	66,979
Other general revenues	-	5,835
Total revenues	<u>2,549,608</u>	<u>3,001,227</u>
Functions/program expenses		
Transportation	796,035	949,157
Natural resources	286,587	395,581
Land use	241,105	238,926
Administration	328,769	341,171
REGIS	935,490	854,868
Interest expense	27,706	12,485
Total expenses	<u>2,615,692</u>	<u>2,792,188</u>
Change in net assets	(66,084)	209,039
Net assets, beginning of year	1,787,669	1,578,630
Net assets, end of year	<u>\$1,721,585</u>	<u>\$1,787,669</u>

Budgetary Highlights

Differences between the original and final amended budget in the General Fund were due to an increase in federal grant dollars along with a corresponding increase in anticipated contractual services in the transportation cost center. There were no significant changes to the REGIS Fund budget.

Capital Asset and Long-Term Debt Activities

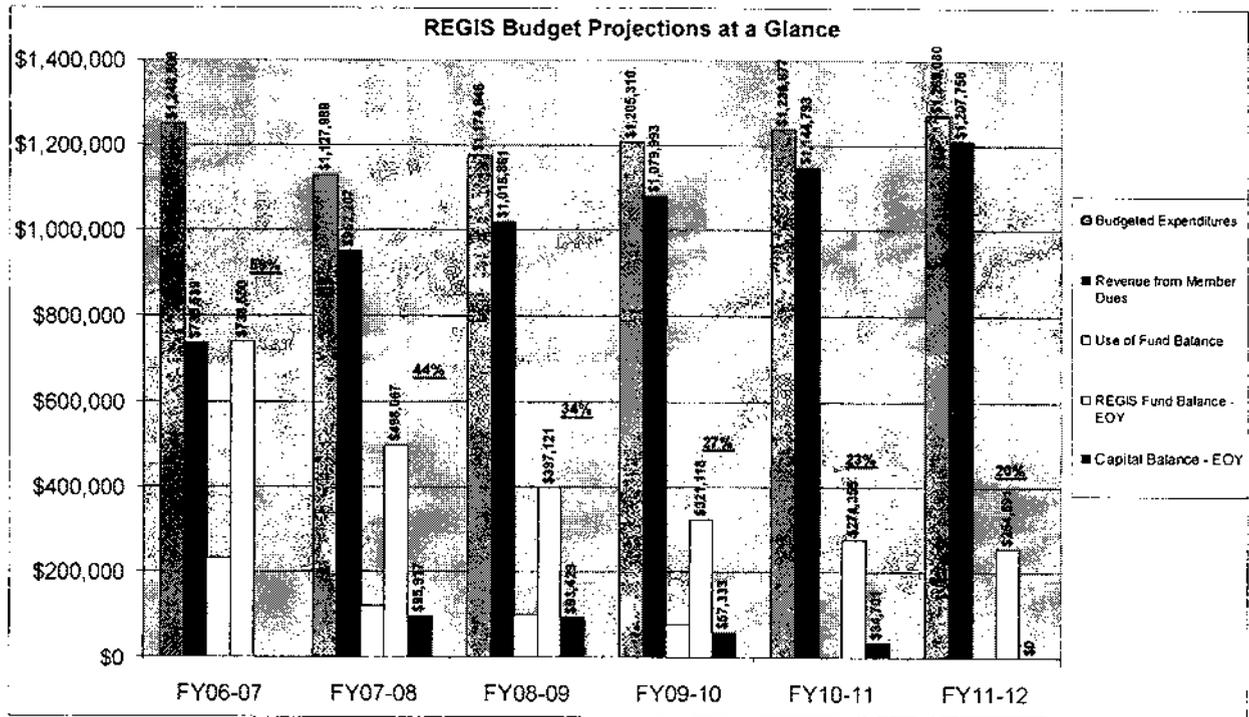
The Council's capital assets consist of furniture and equipment, vehicles and computer hardware and software. There were no significant changes in capital assets during the year ended September 30, 2007. Additional information on capital assets can be found in note 4 to the financial statements.

Debt activity consists of repayments made during the year on debt outstanding which was issued for the purchase of a road testing vehicle in 2006. Additional information on long-term debt can be found in note 5 to the financial statements.

Economic Factors and Next Year's Budget

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

The REGIS budget includes a five year projection maintaining fund balance at 20% of expenditures as well as a separate capital budgets to provide sufficient capital for five years of funding. The following graph details the five year budget.



Contacting the Council Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Council's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact the Executive Director, Grand Valley Metropolitan Council, 40 Pearl NW, Suite 410, Grand Rapids, MI 49503.

BASIC FINANCIAL STATEMENTS

GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,723,062
Accounts receivable	366,679
Capital assets, net	<u>439,222</u>
Total assets	<u>2,528,963</u>
Liabilities	
Accounts payable and accrued expenses	210,007
Accrued compensation	42,913
Unearned revenue	183,131
Noncurrent liabilities	
Compensated absences	40,818
Due within one year	75,724
Due in more than one year	<u>254,785</u>
Total liabilities	<u>807,378</u>
Net Assets	
Invested in capital assets, net of related debt	108,713
Restricted for REGIS	876,407
Unrestricted	<u>736,465</u>
Total net assets	<u>\$ 1,721,585</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government					
Governmental activities					
Transportation	\$ 796,035	\$ 204,539	\$ 170,130	\$ 836,895	\$ - \$ 6,451
Natural resources	286,587	-	-	263,626	- (22,961)
Land use	241,105	-	-	113,441	- (127,664)
Administration	328,769	(204,539)	49,284	1,335	- (73,611)
REGIS	935,490	-	838,681	-	- (96,809)
Interest expense	27,706	-	-	-	- (27,706)
Total governmental activities	<u>\$ 2,615,692</u>	<u>\$ -</u>	<u>\$ 1,058,095</u>	<u>\$ 1,215,297</u>	<u>\$ - (342,300)</u>
General revenues					
Membership					243,204
Interest earnings					<u>33,012</u>
Total general revenues					<u>276,216</u>
Change in net assets					(66,084)
Net assets, beginning of year					<u>1,787,669</u>
Net assets, end of year					<u>\$ 1,721,585</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

SEPTEMBER 30, 2007

	<u>General</u>	<u>REGIS</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 789,623	\$ 933,439	\$ 1,723,062
Accounts receivable	<u>364,582</u>	<u>2,097</u>	<u>366,679</u>
Total Assets	<u>\$ 1,154,205</u>	<u>\$ 935,536</u>	<u>\$ 2,089,741</u>
Liabilities and fund balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 159,751	\$ 50,256	\$ 210,007
Accrued compensation and benefits	34,040	8,873	42,913
Deferred revenue	<u>183,131</u>	<u>-</u>	<u>183,131</u>
Total Liabilities	376,922	59,129	436,051
Fund balances			
Unreserved			
Undesignated	<u>777,283</u>	<u>876,407</u>	<u>1,653,690</u>
Total liabilities and fund balance	<u>\$ 1,154,205</u>	<u>\$ 935,536</u>	<u>\$ 2,089,741</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

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

SEPTEMBER 30, 2007

Fund balances - total governmental funds	\$ 1,653,690
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	439,222
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(40,818)
Deduct - notes payable	<u>(330,509)</u>
Net assets of governmental activities	<u>\$ 1,721,585</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, 2007

	<u>General</u>	<u>REGIS</u>	<u>Total</u>
Revenues			
Federal grants - transportation	\$ 870,801	\$ -	\$ 870,801
Federal grants - other	72,872	-	72,872
State and local grants	245,300	-	245,300
Membership and project fees	397,344	741,255	1,138,599
Membership recovery fees	-	41,852	41,852
Donations	13,735	-	13,735
Charges for services	77,863	17,771	95,634
Interest income	33,012	37,803	70,815
Total revenues	<u>1,710,927</u>	<u>838,681</u>	<u>2,549,608</u>
Expenditures			
Current			
General government			
Salaries	747,788	475,721	1,223,509
Fringes	250,289	163,445	413,734
Contract services	363,594	141,618	505,212
Professional fees	-	1,650	1,650
Legal services	451	1,988	2,439
Audit services	13,325	3,050	16,375
Advertising	4,479	1,817	6,296
Insurance	4,610	2,513	7,123
Meeting expenditures	31,427	1,408	32,835
Dues and subscriptions	2,918	1,413	4,331
Equipment rental	4,978	3,204	8,182
Office supplies	9,373	7,165	16,538
Mileage	13,324	5,623	18,947
Postage	3,500	340	3,840
Printing	1,888	852	2,740
Electricity	6,501	4,078	10,579
Telephone	7,109	6,259	13,368
Professional development	5,913	4,093	10,006
Rent	60,521	41,466	101,987
Equipment	1,844	7,651	9,495
Repairs and maintenance	5,763	8,470	14,233
Fuel & oil	1,654	-	1,654
Westrain activities	12,615	-	12,615
Miscellaneous	497	1,647	2,144
Capital outlay	18,528	46,411	64,939
Debt service			
Principal	69,941	-	69,941
Interest	27,706	-	27,706
Total expenditures	<u>1,670,536</u>	<u>931,882</u>	<u>2,602,418</u>
Net changes in fund balances	40,391	(93,201)	(52,810)
Fund balances, beginning of year, as restated	<u>736,892</u>	<u>969,608</u>	<u>1,706,500</u>
Fund balances, end of year	<u>\$ 777,283</u>	<u>\$ 876,407</u>	<u>\$ 1,653,690</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, 2007

Net changes in fund balances - total governmental funds	\$ (52,810)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p>	
<p>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.</p>	
Add - capital outlay	73,912
Deduct - depreciation expense	(144,906)
Deduct - net book value of disposed capital assets	(2,913)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Add - principal payments on long-term debt	69,941
<p>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.</p>	
Deduct - increase in compensated absences	<u>(9,308)</u>
Change in net assets of governmental activities	<u>\$ (66,084)</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Federal grants - transportation	\$ 1,133,721	\$ 1,444,880	\$ 870,801	\$ (574,079)
Federal grants - other	173,000	173,000	72,872	(100,128)
State and local grants	311,263	294,313	245,300	(49,013)
Membership and project fees	397,344	397,344	397,344	-
Donations	500	8,935	13,735	4,800
Charges for service	173,200	37,200	77,863	40,663
Interest income	25,000	30,000	33,012	3,012
Total revenues	<u>2,214,028</u>	<u>2,385,672</u>	<u>1,710,927</u>	<u>(674,745)</u>
Expenditures				
Current				
General government				
Salaries	755,333	755,333	747,788	7,545
Fringes	264,084	264,084	250,289	13,795
Contract services	699,807	858,102	363,594	494,508
Professional fees	1,500	1,500	-	1,500
Legal services	1,500	1,500	451	1,049
Audit services	17,500	17,500	13,325	4,175
Advertising	4,000	4,000	4,479	(479)
Insurance	25,100	25,100	4,610	20,490
Meeting expenditures	48,900	49,100	31,427	17,673
Dues and subscriptions	4,250	4,250	2,918	1,332
Equipment rental	6,250	6,250	4,978	1,272
Office supplies	16,800	16,800	9,373	7,427
Mileage	18,300	18,300	13,324	4,976
Postage	3,250	3,950	3,500	450
Printing	2,400	3,235	1,888	1,347
Electricity	7,500	7,500	6,501	999
Telephone	7,500	8,800	7,109	1,691
Professional development	15,000	16,000	5,913	10,087
Rent	62,250	62,250	60,521	1,729
Equipment and furniture	5,000	6,000	1,844	4,156
Repairs and maintenance	9,500	9,500	5,763	3,737
Depreciation	82,550	82,550	-	82,550
Fuel & oil	8,000	8,000	1,654	6,346
Westrain activities	-	-	12,615	(12,615)
Miscellaneous	2,100	2,100	497	1,603
Capital outlay	-	-	18,528	(18,528)
Debt service				
Principal	81,200	-	69,941	(69,941)
Interest	26,000	26,000	27,706	(1,706)
Total expenditures	<u>2,175,574</u>	<u>2,257,704</u>	<u>1,670,536</u>	<u>587,168</u>
Net changes in fund balance	38,454	127,968	40,391	(87,577)
Fund balance, beginning of year, as restated	<u>736,892</u>	<u>736,892</u>	<u>736,892</u>	<u>-</u>
Fund balance, end of year	<u>\$ 775,346</u>	<u>\$ 864,860</u>	<u>\$ 777,283</u>	<u>\$ (87,577)</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Membership dues	\$ 735,539	\$ 735,539	\$ 741,255	\$ 5,716
Membership recovery fees (new members)	38,668	38,668	41,852	3,184
Charges for services	45,000	45,000	17,771	(27,229)
Interest income	30,000	30,000	37,803	7,803
Total revenues	<u>849,207</u>	<u>849,207</u>	<u>838,681</u>	<u>(10,526)</u>
Expenditures				
Current				
General government				
Salaries	538,585	538,585	475,721	62,864
Fringes	185,925	185,925	163,445	22,480
Contract services				
Software maintenance agreements	170,000	170,000	121,259	48,741
Software license	25,000	25,000	11,832	13,168
Other contractual services	32,500	32,500	8,527	23,973
Professional fees	25,000	15,630	1,650	13,980
Legal services	3,090	3,090	1,988	1,102
Audit services	3,605	3,605	3,050	555
Advertising	1,500	1,500	1,817	(317)
Insurance	5,150	5,150	2,513	2,637
Meeting expenditures	5,500	5,500	1,408	4,092
Dues and subscriptions	1,030	1,500	1,413	87
Equipment rental	3,500	3,500	3,204	296
Office supplies	7,200	8,400	7,165	1,235
Mileage	4,000	6,000	5,623	377
Postage	1,000	1,000	340	660
Printing	300	1,000	852	148
Electricity	5,923	5,923	4,078	1,845
Telephone	12,000	12,000	6,259	5,741
Professional development	21,000	21,000	4,093	16,907
Rent	55,000	55,000	41,466	13,534
Equipment and furniture	12,000	12,000	7,651	4,349
Repairs and maintenance	3,000	8,000	8,470	(470)
Miscellaneous	2,000	2,000	1,647	353
Capital outlay	125,000	125,000	46,411	78,589
Total expenditures	<u>1,248,808</u>	<u>1,248,808</u>	<u>931,882</u>	<u>316,926</u>
Net changes in fund balance	(399,601)	(399,601)	(93,201)	306,400
Fund balance, beginning of year	<u>969,608</u>	<u>969,608</u>	<u>969,608</u>	<u>-</u>
Fund balance, end of year	<u>\$ 570,007</u>	<u>\$ 570,007</u>	<u>\$ 876,407</u>	<u>\$ 306,400</u>

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

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

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

The Council reports the following major governmental funds

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

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

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

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Measurement Focus and Basis of Accounting

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

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

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

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

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

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General and REGIS 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.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

5. The budgets for the General and REGIS Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Council are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Council. Any amendment to the original budget must meet the requirements of Michigan Law. The Council did amend its budget for the year ended September 30, 2007. Any revisions that alter the expenditures at the line item 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 through 12/31/97.

The Council's investment policy is more restrictive than state requirements and allows for investment in only those investment vehicles identified in items 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.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

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
Equipment	7
Computers	5
Vehicles	5

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences

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

Membership dues

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

Grants and Other Intergovernmental Revenues

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

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.

Long-Term Obligations

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

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2007, 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, the same level at which the budgets were adopted. During the year ended September 30, 2007, the Council incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
General Government			
Advertising	\$ 4,000	\$ 4,479	\$ (479)
Westrain activities	-	12,615	(12,615)
Capital outlay	-	18,528	(18,528)
Debt service			
Principal	-	69,941	(69,941)
Interest	26,000	27,706	(1,706)
REGIS Fund			
General Government			
Advertising	1,500	1,817	(317)
Repairs and maintenance	8,000	8,470	(470)

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

3. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and cash equivalents of \$1,723,062 consists of deposits in a bank of \$1,674,860 and a LaSalle Bank Public Funds Investment Trust mutual fund of \$48,202.

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

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. As of year-end, \$1,634,787 of the Council's bank balance of \$1,734,787 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment and deposit risk

Interest Rate Risk. State law and Council policy limit the allowable investments and the maturities of some of the allowable investments 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 investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the investment identified above.

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. The Council's investment policy does not have specific limits in excess of state law on investment credit risk. The mutual fund identified above is not rated as to risk.

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. Of the above mutual fund investments the Council's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

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

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
Governmental activities				
Capital assets, being depreciated				
Furniture and fixtures	\$96,006	\$ -	\$ -	\$96,006
Equipment	74,877	-	-	74,877
Computers	791,385	73,912	126,626	738,671
Vehicles	23,477	-	-	23,477
Total capital assets, being depreciated	<u>985,747</u>	<u>73,912</u>	<u>126,626</u>	<u>933,031</u>
Less accumulated depreciation for				
Furniture and fixtures	93,398	2,556	-	95,954
Equipment	70,775	4,103	-	74,878
Computers	306,095	133,552	123,713	315,934
Vehicles	2,348	4,695	-	7,043
Total accumulated depreciation	<u>472,616</u>	<u>144,906</u>	<u>123,713</u>	<u>493,809</u>
Governmental activities capital assets, net	<u>\$513,129</u>	<u>\$(70,994)</u>	<u>\$(2,913)</u>	<u>\$439,222</u>

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

Governmental activities	
Transportation	\$ 44,929
Natural resources	16,175
Land use	13,608
Administration	18,556
REGIS	<u>51,638</u>
Total	<u>\$144,906</u>

5. LONG-TERM LIABILITIES

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

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007	Due Within One Year
Governmental Activities					
Note payable to a bank. Payments due in monthly installments of \$8,137 through August 2011, including interest at 7.4%	\$400,450	\$ -	\$ 69,941	\$330,509	\$ 75,724
Compensated absences payable	<u>\$ 31,510</u>	<u>\$ 40,818</u>	<u>\$ 31,510</u>	<u>\$ 40,818</u>	<u>\$ 40,818</u>

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

The annual requirements to amortize all debt outstanding as of September 30, 2007 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 75,724	\$21,924
2009	81,521	16,126
2010	87,763	9,885
2011	85,501	3,170
Total	\$330,509	\$51,105

6. LEASES

The Council leases office space under a lease agreement expiring December 31, 2008, with an option to renew for two additional five year terms. Rent expenditures for the office lease were \$101,987 for the year ended September 30, 2007. The Council also leases office equipment under various lease terms. Equipment rental expenditures were \$8,182 for the year ended September 30, 2007.

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, 2007:

<u>Year</u>	<u>Amount</u>
2008	\$107,658
2009	27,619
2010	1,968
2011	1,968
2012	1,640
Total	\$140,853

7. DEFINED CONTRIBUTION PENSION PLAN

The Council maintains a defined contribution plan, which provides pension benefits to participating full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who voluntarily elect to participate in the plan are required to contribute 3% of eligible wages. The Council contributes 9% of each participant's eligible wages to the plan. The plan provisions and contribution amounts were established and may be amended by the Council Board. The Council's total payroll for the year ending June 30, 2007 was \$1,267,465. The Council's contribution of \$105,780 was calculated using the base salary amount of \$1,175,333. Council employees made contributions to the plan totaling \$35,260, which was 3% of covered payroll.

8. RESTATEMENT

During the year ended September 30, 2007, the Council changed its policy for revenue recognition to more closely recognize grant revenue when the related expenditures have been incurred by increasing the revenue recognition period for grant revenues to one year. This resulted in an increase in fund balance in the general fund of \$328,033 as of October 1, 2006.



SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

November 15, 2007

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

We have audited the financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council, Grand Rapids, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements and have issued our report thereon dated November 15, 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 Grand Valley Metropolitan Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Grand Valley Metropolitan Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Grand Valley Metropolitan Council's financial statements that is more than inconsequential will not be prevented or detected by the Grand Valley Metropolitan Council's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Grand Valley Metropolitan Council's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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

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

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

November 15, 2007

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

Compliance

We have audited the compliance of the Grand Valley Metropolitan Council with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The Grand Valley Metropolitan Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Grand Valley Metropolitan Council's management. Our responsibility is to express an opinion on the Grand Valley Metropolitan Council's compliance based on our audit.

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

In our opinion, the Grand Valley Metropolitan Council complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Grand Valley Metropolitan Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Grand Valley Metropolitan Council's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council as of and for the year ended September 30, 2007, and have issued our report thereon dated November 15, 2007. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Metropolitan Council's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Ordeuxold Haefner LLC

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Grant Number	CFDA Number	Award Amount	Federal Expenditures
Federal Highway administration				
Michigan Department of Transportation				
Ozone Action	2006-0004/Z15/R1	20.205	\$ 113,017	\$ 44,039
Westrain Marketing	2006-0004/Z21	20.205	19,999	-
FY 2007 Unified Work Program	2006-0004/Z9/R1	20.205	725,897	564,239
FY 2007 Unified Work Program	2006-0004/Z10/R1	20.205	162,622	144,098
STPU - Pavement Management System	2006-0004/Z12/R1	20.205	217,223	95,366
STPU - MPO Congestion Management System	2006-0004/Z13/R1	20.205	134,880	12,014
STPU - MPO Geographic Information System	2006-0004/Z14/R1	20.205	<u>142,015</u>	<u>-</u>
			<u>1,515,653</u>	<u>859,756</u>
US Environmental Protection Agency				
Michigan Department of Environmental quality				
Lower Grand River Implementation Project	2004-0136	66.460	<u>264,945</u>	<u>109,696</u>
Total Expenditures of Federal Awards			<u>\$ 1,780,598</u>	<u>\$ 969,452</u>

Note to Schedule of Expenditures of Federal Awards:

Expenditures on the schedule of expenditures of federal awards may differ from expenditures in the financial statements due to assets being purchased with capital grants being capitalized and the related assets being depreciated over the related asset's estimated useful lives.

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified on basic financial statements	
Internal controls over financial reporting		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant deficiencies identified not considered to be material weaknesses?	<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 weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	<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 Circular A-133, section 510(a)?	<u> </u> yes	<u> X </u> no

Identification of Major Programs

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

Transportation

Dollar threshold used to distinguish between Type A and B programs?	<u> \$300,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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SECTION II - FINANCIAL STATEMENT FINDINGS

2007-1

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

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

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

Management response: Grand Valley Metropolitan Council maintains its financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing annual accrual basis financial statements and required disclosures would exceed the costs to do so.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted