

# 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 ACSET	County Kent
Fiscal Year End June 30, 2007	Opinion Date March 17, 2008	Date Audit Report Submitted to State March 17, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

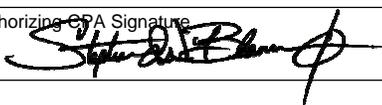
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Report		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (616) 975-4100		
Street Address 2330 East Paris Ave. SE		City Grand Rapids	State MI	Zip 49546
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801



**AREA COMMUNITY SERVICES EMPLOYMENT AND  
TRAINING COUNCIL**

**GRAND RAPIDS, MICHIGAN**

**FINANCIAL STATEMENTS  
AND SINGLE AUDIT ACT COMPLIANCE**

**FOR THE YEAR ENDED JUNE 30, 2007**

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

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# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

## **INDEPENDENT AUDITORS' REPORT**

March 17, 2008

Board of Directors  
Area Community Services Employment  
and Training Council  
Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Area Community Services Employment and Training Council (the "Council") as of and for the year ended June 30, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Area Community Services Employment and Training Council's management. 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, the major fund and the aggregate remaining fund information of the Area Community Services Employment and Training Council, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison of the general 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 our report dated March 17, 2008 on our consideration of Area Community Services Employment and Training Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Council has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Area Community Services Employment and Training Council's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and combining financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of Area Community Services Employment and Training Council's 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 presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 903,077
Investments	95,000
Accounts receivable	2,962,140
Inventory	116,571
Prepays	107,363
Capital assets being depreciated, net	<u>479,317</u>
Total assets	<u>4,663,468</u>
 <b>Liabilities</b>	
Accrued subrecipient program costs	2,134,590
Accounts payable	937,591
Advances from grantors	407,243
Compensated absences:	
Due within one year	236,106
Due in more than one year	<u>216,773</u>
Total liabilities	<u>3,932,303</u>
 <b>Net assets</b>	
Invested in capital assets	479,317
Unrestricted	<u>251,848</u>
Total net assets	<u><u>\$ 731,165</u></u>

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Statement of Activities  
For the Year Ended June 30, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental activities</b>				
Michigan Works! programs	\$ 18,888,261	\$ -	\$ 18,877,294	\$ (10,967)
Community action programs	4,460,053	3,604	4,493,446	36,997
Administrative services	270,347	-	279,095	8,748
Unallocated depreciation	197,477	-	-	(197,477)
Total governmental activities	<u>\$ 23,816,138</u>	<u>\$ 3,604</u>	<u>\$ 23,649,835</u>	<u>(162,699)</u>
General revenue:				
Grants and contributions not restricted to specific programs				7,549
Unrestricted investment earnings				<u>17,872</u>
Total general revenue				<u>25,421</u>
Change in net assets				(137,278)
Net assets, beginning of year, as restated				<u>868,443</u>
<b>Net assets, end of year</b>				<u><u>\$ 731,165</u></u>

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Balance Sheet  
General Fund  
June 30, 2007**

**Assets**

Cash and cash equivalents	\$ 507,463
Accounts receivable	2,962,140
Inventory	116,571
Prepays	<u>107,363</u>
 Total assets	 <u><u>\$ 3,693,537</u></u>

**Liabilities**

Accrued subrecipient program costs	\$ 2,134,590
Accounts payable	937,591
Advance from grantors	<u>407,243</u>
 Total liabilities	 <u><u>3,479,424</u></u>

**Fund balance**

Reserved for inventory	116,571
Reserved for prepays	107,363
Unrestricted (deficit)	<u>(9,821)</u>
 Total fund balance	 <u><u>214,113</u></u>
 Total liabilities and fund balance	 <u><u>\$ 3,693,537</u></u>

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Reconciliation of the Fund Balances on the Balance Sheet  
for Governmental Funds to the Net Assets of Governmental  
Activities on the Statement of Net Assets  
June 30, 2007**

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Fund balances - total governmental funds \$ 214,113

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  
therefore are not reported in the funds.

Add - capital assets being depreciated, net 479,317

Internal service funds are used by management to charge the costs of funding the accrual for  
compensated absences payable. The assets and liabilities of the internal service fund are  
included in governmental activities.

Add - internal service fund net assets 37,735

Net assets of governmental activities \$ 731,165

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Statement of Revenue, Expenditures  
and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenue</b>				
Grants	\$ 24,876,276	\$ 24,876,276	\$ 23,657,384	\$ (1,218,892)
Program income	-	-	3,604	3,604
Interest	-	-	12	12
Total revenue	<u>24,876,276</u>	<u>24,876,276</u>	<u>23,661,000</u>	<u>(1,215,276)</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	2,500,000	2,525,000	2,467,554	(57,446)
Fringe benefits	1,029,000	1,029,000	1,004,813	(24,187)
Office supplies and postage	130,000	180,000	144,890	(35,110)
Travel	195,000	195,000	153,803	(41,197)
Outside services	200,000	250,000	219,481	(30,519)
Occupancy expenditures	850,000	850,000	878,489	28,489
Equipment lease and maintenance	125,000	125,000	83,475	(41,525)
Small equipment and supplies	25,000	25,000	12,905	(12,095)
Other	450,000	475,000	359,279	(115,721)
Commodities	-	-	969,940	969,940
Subrecipient program costs	14,511,838	14,511,838	16,243,805	1,731,967
Direct client expenditures	<u>1,300,557</u>	<u>1,300,557</u>	<u>1,108,104</u>	<u>(192,453)</u>
Total expenditures	<u>21,316,395</u>	<u>21,466,395</u>	<u>23,646,538</u>	<u>2,180,143</u>
Net change in fund balances	3,559,881	3,409,881	14,462	(3,395,419)
Fund balances, beginning of year, as restated	<u>199,651</u>	<u>199,651</u>	<u>199,651</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 3,759,532</u></u>	<u><u>\$ 3,609,532</u></u>	<u><u>\$ 214,113</u></u>	<u><u>\$ (3,395,419)</u></u>

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
**Reconciliation of the Statement of Revenue, Expenditures  
and Change in Fund Balances of Governmental Funds  
to the Statement of Activities**  
**For the Year Ended June 30, 2007**

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Net change in fund balances - total governmental funds \$ 14,462

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement  
of activities, the cost of those assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Add - capital outlay	20,742
Deduct - depreciation expense	(197,477)
Deduct - loss on disposal of capital assets	(12,740)

An internal service fund is used by management to charge the costs of certain services  
to individual governmental funds. The net revenue (expense) of the fund attributable  
to those funds is reported with governmental activities.

Add - net income from internal service fund	37,735
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Change in net assets of governmental activities	\$ (137,278)
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The accompanying notes are an integral part of these financial statements.

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
**Statement of Net Assets**  
**Compensated Absences Internal Service Fund**  
**June 30, 2007**

**Assets**

Cash and cash equivalents	\$ 395,614
Investments	<u>95,000</u>
Total assets	<u>490,614</u>

**Liabilities**

Compensated absences:	
Due within one year	236,106
Due in more than one year	<u>216,773</u>
Total liabilities	<u>452,879</u>

**Net assets**

Unrestricted	<u><u>\$ 37,735</u></u>
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The accompanying notes are an integral part of these financial statements.

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
**Statement of Revenue, Expenses and Changes  
in Fund Net Assets**  
**Compensated Absences Internal Service Fund**  
**June 30, 2007**

<b>Revenue</b>	
Charges for services	\$ 261,682
<b>Expenses</b>	
Employee benefits	<u>241,624</u>
Operating income	<u>20,058</u>
<b>Nonoperating revenue (expenses)</b>	
Interest income	17,860
Bank service charges	<u>(183)</u>
Total nonoperating revenue (expense)	<u>17,677</u>
Change in net assets	37,735
Net assets, beginning of year, as restated	<u>-</u>
<b>Net assets, end of year</b>	<u><u>\$ 37,735</u></u>

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Statement of Cash Flows  
Compensated Absences Internal Service Fund  
June 30, 2007**

<b>Cash flows from operating activities</b>	
Cash receipts for interfund services provided	\$ 261,682
Cash payments to employees	<u>(255,074)</u>
Net cash provided by operating activities	6,608
<b>Cash flows from financing activities</b>	
Banks service charges	(183)
<b>Cash flows from investing activities</b>	
Interest income	<u>17,860</u>
Net increase in cash and cash equivalents	24,285
Cash and cash equivalents, beginning of year	<u>371,329</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 395,614</u></u>
<b>Cash flows from operating activities</b>	
Operating income	\$ 20,058
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Accounts payable	<u>(13,450)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 6,608</u></u>

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

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
**Statement of Fiduciary Assets and Liabilities - Agency Fund**  
**June 30, 2007**

**Assets**

Cash and cash equivalents	\$ 157,630
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**Liabilities**

Accounts payable	\$ 67,372
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Accrued liabilities	90,258
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Total liabilities	\$ 157,630
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The accompanying notes are an integral part of these financial statements.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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### 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

Area Community Services Employment and Training Council (the "Council") was formed in October 1985, through an Interlocal Agreement between Kent County and the City of Grand Rapids pursuant to the Michigan Urban Cooperation Act of 1967. The Interlocal Agreement was amended on July 1, 1996 to include Allegan County. The Council was established to serve as the primary advocate for the reduction of causes, conditions and effects of poverty, providing social and economic opportunities that foster self-sufficiency for low-income persons, administer programs to prepare youth and unskilled adults for entry into the labor force, and to afford job training to those economically disadvantaged individuals and other persons facing serious barriers to employment who are in need of such services.

Accordingly, the Council is designated for Kent and Allegan County as the grant recipient/administrative entity, pursuant to the Workforce Investment Act, and as the community action agency for Kent County pursuant to the Michigan Economic and Social Opportunity Act. Substantially all of the Council's grants receivable and revenue for the year ended June 30, 2007 were derived from contracts with agencies of the State of Michigan.

#### *Reporting Entity*

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Area Community Services Employment and Training Council. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized in identifying the Council's reporting entity which includes no component units.

#### *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 the nonfiduciary activities of the primarily government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Council had no *business-type activities* during the year ended June 30, 2007.

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. Interest income and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental, proprietary and fiduciary funds even though the latter are excluded from the government-wide financial statements.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

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 to be *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 to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, accrued employee benefit expenditures are recorded only when payment is due.

Expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental fund:

The *General Fund* is the Council's primary operating fund. It is used to account for all activities of the Council financed through federal, state and local grant program sources.

Additionally, the government reports the following fund types:

The *Internal Service Fund* is used to report assets held by the Council to satisfy its obligation for compensated absences of its employees.

The *Agency Fund* accounts for resources held on the behalf of other individuals and governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

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

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service fund is charges to other funds for employee benefits. Operating expenses for the internal service fund are comprised of accrued compensated absences. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The budget is adopted annually before July 1.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include amounts on deposit with financial institutions.

### ***Investments***

Investments consist of certificates of deposit and are stated at market value.

### ***Receivables***

Accounts receivable include amounts billed or billable to grantors, net of an allowance for uncollectible amounts. Management establishes an allowance for losses based on specific situations and grant terms and conditions. Losses are written off to the allowance when management determines that further collection efforts will not produce additional recoveries. As of June 30, 2007, no allowance was necessary.

### ***Inventories***

Inventories consist of food commodities. Inventories are stated at USDA-valued cost (first-in, first-out).

### ***Prepays***

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### ***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

Depreciation of all capital assets is charged to an expense against operations. Depreciation has been provided using the straight-line method over the average service life of the asset, from five to seven years.

### *Compensated Absences*

Council employees earn and accumulate vacation and sick leave in varying amounts based on hours worked and length of service. At termination, employees are entitled to receive payment for unused, accumulated vacation in accordance with established policies and formulas. Accordingly, the Council recognized the cost of compensated absences for vacation and sick leave when earned. Assets and the related liabilities are recorded in the Internal Service Fund.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

## 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2007 the Council incurred expenditures in the general fund which were in excess of the amounts appropriated, as follows:

	<b>Total Appropriations</b>	<b>Amount of Expenditures</b>	<b>Budget Variance</b>
Operating costs:			
Occupancy	\$ 850,000	\$ 878,489	\$ 28,489
Commodities	-	969,940	969,940
Subrecipient program costs	14,511,838	16,243,805	1,731,967

The Council does not budget for commodities, since these expenditures represent the use of donated nonfinancial resources, and are fully offset by related revenues in the financial statements.

## 3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	<b>Governmental Activities</b>	<b>Fiduciary Fund</b>	<b>Total</b>
Cash and cash equivalents	\$ 903,077	\$ 157,630	\$ 1,060,707
Investments	95,000	-	95,000
<b>Total deposits and investments</b>	<b>\$ 998,077</b>	<b>\$ 157,630</b>	<b>\$ 1,155,707</b>

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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These deposits are in two financial institutions located in Michigan in varying amounts. State policy limits the Council's investing options to financial institutions located in Michigan. All accounts are in the name of the Council. Deposits and investments are recorded in Council records at fair value. Interest is recorded when earned.

Deposits and investments are comprised of the following at June 30, 2007:

Checking/savings accounts	\$ 1,060,457
Certificate of deposit	95,000
Petty cash	<u>250</u>
<b>Total deposits and investments</b>	<b><u>\$ 1,155,707</u></b>

### ***Investment and Deposit Risk***

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. State law does not require, and the Council does not have, a policy for deposit custodial credit risk. As of year-end, \$1,038,109 of the Council's bank balance of \$1,237,132 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" below. 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. The certificate of deposit matures on August 23, 2008.

*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 the Council's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" below. The Council's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

### ***Statutory Authority***

State statutes authorize the Council to invest in:

- a. Bonds, 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.

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL**

Notes to Financial Statements

**4. CAPITAL ASSETS**

Changes in capital assets for the year ending June 30, 2007, are as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities</b>				
Capital assets, being depreciated:				
Office equipment	\$ 218,032	\$ 3,086	\$ 4,000	\$ 217,118
Furniture and fixtures	193,080	-	-	193,080
Computers	923,039	-	47,673	875,366
Software	91,117	17,656	9,240	99,533
Vehicles	161,358	-	-	161,358
	<u>1,586,626</u>	<u>20,742</u>	<u>60,913</u>	<u>1,546,455</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Office equipment	60,934	30,850	1,157	90,627
Furniture and fixtures	76,560	27,583	-	104,143
Computers	547,682	122,181	37,776	632,087
Software	86,013	8,636	9,240	85,409
Vehicles	146,645	8,227	-	154,872
	<u>917,834</u>	<u>197,477</u>	<u>48,173</u>	<u>1,067,138</u>
Total accumulated depreciation				
Net capital assets, being depreciated	<u>\$ 668,792</u>	<u>\$ (176,735)</u>	<u>\$ 12,740</u>	<u>\$ 479,317</u>

**5. COMPENSATED ABSENCES**

Changes in compensated absences for the year ended June 30, 2007 are as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Compensated absences	<u>\$ 446,639</u>	<u>\$ 261,682</u>	<u>\$ (255,442)</u>	<u>\$ 452,879</u>	<u>\$ 263,106</u>

Compensated absences payable are expected to be liquidated by the Internal Service Fund.

**6. DEFINED CONTRIBUTION PLAN**

The Council provides retirement benefits to substantially all employees through a defined contribution money purchase retirement plan, which is administered by a life insurance company. Required contributions are equal to 14% of gross wages paid to participating employees (i.e., the employer contributes 7% and the employees contribute 7%) and all contributions are fully and immediately vested.

Employer and employee contributions to the plan for the year ended June 30, 2007 amounted to \$169,149 and \$169,149, respectively.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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### 7. DEFERRED COMPENSATION PLAN

The Council offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Council employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

### 8. LEASES

The Council leases office space and various office equipment and vehicles. Lease terms range from two to ten years with options to renew at varying terms. Rent payments for operating leases for the year ended June 30, 2007 were \$350,231.

Minimum future lease payments under noncancelable operating leases as of June 30, 2007 are as follows:

2008	\$ 307,592
2009	290,558
2010	198,957
2011	182,910
2012	186,401
Thereafter	<u>19,615</u>
Total	<u>\$1,186,033</u>

All leases include a provision that allows the Council to terminate the lease agreement if grant funds received from the state or federal government are terminated or reduced in a way that it is unable to maintain a comparable level of program services, or the lessor is determined by the Department of Labor to be restricted from receiving federal funds.

### 9. 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. The Council has purchased commercial insurance to cover these risks. The amount of coverage has not decreased nor has the amount of settlements exceeded coverage in the past three years.

### 10. CONTINGENCIES

The Commission has received numerous federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although no amounts have been claimed, such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Commission believes such disallowances, if any, will be immaterial.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Financial Statements

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### 11. RESTATEMENT OF BEGINNING EQUITY

Certain amounts being held in the general fund of the Council in a fiduciary capacity were segregated into an agency fund resulting in a decrease in beginning equity of the general fund of \$61,716. In addition, various corrections were made to opening balances of the general fund, resulting in an additional decrease in beginning fund balance of \$64,011.

The net result of these corrections was a decrease in general fund beginning fund balance and beginning net assets of governmental activities of \$125,727.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity  
General Fund  
June 30, 2007

	<b>Banking Fund (01)</b>	<b>Unrestricted (06)</b>	<b>Administrative Cost Pool (07)</b>	<b>MWA/DLEG Cost Pool (08)</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 185,762	\$ (90,671)	\$ 7,781
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Prepays	-	-	104,151	-
	<u>-</u>	<u>-</u>	<u>104,151</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 185,762</u>	<u>\$ 13,480</u>	<u>\$ 7,781</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	125	13,480	7,781
Advance from grantors	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>125</u>	<u>13,480</u>	<u>7,781</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepaids	-	-	104,151	-
Unrestricted (deficit)	-	185,637	(104,151)	-
	<u>-</u>	<u>185,637</u>	<u>(104,151)</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>185,637</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 185,762</u>	<u>\$ 13,480</u>	<u>\$ 7,781</u>

<b>CAP Cost Pool (09)</b>	<b>WIA Local Administration (10)</b>	<b>WIA Adult Regular (11)</b>	<b>WIA Youth Regular (12)</b>	<b>WIA Dislocated Worker Regular (13)</b>	<b>Dislocated Worker Scholarships (14)</b>
\$ 492	\$ (24,319)	\$ (39,747)	\$ 4,779	\$ (38,845)	\$ 229
-	25,053	376,703	422,848	510,281	16,236
-	-	-	-	-	-
-	-	3,207	-	-	-
<u>\$ 492</u>	<u>\$ 734</u>	<u>\$ 340,163</u>	<u>\$ 427,627</u>	<u>\$ 471,436</u>	<u>\$ 16,465</u>
\$ -	\$ -	\$ 189,594	\$ 411,032	\$ 285,436	\$ 16,465
492	734	150,569	16,595	186,000	-
-	-	-	-	-	-
<u>492</u>	<u>734</u>	<u>340,163</u>	<u>427,627</u>	<u>471,436</u>	<u>16,465</u>
-	-	-	-	-	-
-	-	3,207	-	-	-
-	-	(3,207)	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 492</u>	<u>\$ 734</u>	<u>\$ 340,163</u>	<u>\$ 427,627</u>	<u>\$ 471,436</u>	<u>\$ 16,465</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Continued)  
General Fund  
June 30, 2007

	WIA Incumbent Work - SWA (15)	WIA Navigator (16)	WIA Incentive Grant (17)	WIA Service Center Operations (18)
<b>Assets</b>				
Cash and cash equivalents	\$ (282)	\$ (960)	\$ (250)	\$ -
Accounts receivable	32,936	18,241	740	-
Inventory	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 32,654</u>	<u>\$ 17,281</u>	<u>\$ 490</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ 32,654	\$ 17,281	\$ -	\$ -
Accounts payable	-	-	490	-
Advance from grantors	-	-	-	-
Total liabilities	<u>32,654</u>	<u>17,281</u>	<u>490</u>	<u>-</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepaids	-	-	-	-
Unrestricted (deficit)	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,654</u>	<u>\$ 17,281</u>	<u>\$ 490</u>	<u>\$ -</u>

<b>Rapid Response #1346 (19)</b>	<b>Ex-Offenders &amp; One Stop (20)</b>	<b>WIA Displaced Homemaker SWA (21)</b>	<b>Employment Service (22)</b>	<b>WIA Capacity Building -SWA (23)</b>	<b>Work First GF/GP State (24)</b>
\$ -	\$ (39,476)	\$ 1,803	\$ 66,843	\$ -	\$ 58,851
-	75,675	3,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 36,199</u>	<u>\$ 4,803</u>	<u>\$ 66,843</u>	<u>\$ -</u>	<u>\$ 58,851</u>
\$ -	\$ 36,180	\$ 4,803	\$ 65,042	\$ -	\$ -
-	19	-	1,801	-	-
-	-	-	-	-	58,851
-	36,199	4,803	66,843	-	58,851
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 36,199</u>	<u>\$ 4,803</u>	<u>\$ 66,843</u>	<u>\$ -</u>	<u>\$ 58,851</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Continued)  
General Fund  
June 30, 2007

	Trade Adjustment Assistance (25)	Food Assistance E&T Support (26)	Work First Cost Pool (27)	Rapid Response Contract (28)
<b>Assets</b>				
Cash and cash equivalents	\$ 10,302	\$ (1,793)	\$ 637,377	\$ -
Accounts receivable	904,193	6,336	2,031	-
Inventory	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 914,495</u>	<u>\$ 4,543</u>	<u>\$ 639,408</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ 420,265	\$ 4,536	\$ 611,893	\$ -
Accounts payable	494,230	7	27,515	-
Advance from grantors	-	-	-	-
Total liabilities	<u>914,495</u>	<u>4,543</u>	<u>639,408</u>	<u>-</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepays	-	-	-	-
Unrestricted (deficit)	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 914,495</u>	<u>\$ 4,543</u>	<u>\$ 639,408</u>	<u>\$ -</u>

<b>Work First Reed (29)</b>	<b>Work First TANF (30)</b>	<b>CSBG Program (31)</b>	<b>CGR Administrative Support (32)</b>	<b>CGR Local Support (33)</b>	<b>Kent County Local Support (34)</b>
\$ (36,763)	\$ 163,084	\$ (89,900)	\$ 3,556	\$ (30,554)	\$ (63,314)
76,043	-	108,183	-	30,534	63,643
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 39,280</u>	<u>\$ 163,084</u>	<u>\$ 18,283</u>	<u>\$ 3,556</u>	<u>\$ (20)</u>	<u>\$ 329</u>
\$ 39,015	\$ -	\$ -	\$ -	\$ -	\$ -
265	1,867	18,283	-	(20)	26
-	161,217	-	3,556	-	303
<u>39,280</u>	<u>163,084</u>	<u>18,283</u>	<u>3,556</u>	<u>(20)</u>	<u>329</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 39,280</u>	<u>\$ 163,084</u>	<u>\$ 18,283</u>	<u>\$ 3,556</u>	<u>\$ (20)</u>	<u>\$ 329</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Concluded)  
General Fund  
June 30, 2007

	<b>Kent County Administrative Support (35)</b>	<b>AAAWM/ Older American Services (36)</b>	<b>Senior Meals Program (LAS) (37)</b>	<b>Senior Meals Program (WSC) (38)</b>
<b>Assets</b>				
Cash and cash equivalents	\$ (4,183)	\$ 9,433	\$ (28,251)	\$ -
Accounts receivable	4,183	-	34,023	-
Inventory	-	-	-	-
Prepays	-	-	5	-
Total assets	<u>\$ -</u>	<u>\$ 9,433</u>	<u>\$ 5,777</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ -	\$ -	\$ 166	\$ -
Accounts payable	-	-	166	-
Advance from grantors	-	9,433	-	-
Total liabilities	<u>-</u>	<u>9,433</u>	<u>332</u>	<u>-</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepaids	-	-	5	-
Unrestricted (deficit)	-	-	5,440	-
Total fund balance	<u>-</u>	<u>-</u>	<u>5,445</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 9,433</u>	<u>\$ 5,777</u>	<u>\$ -</u>

<b>Senior Meals Program (WSC) (39)</b>	<b>CGR Refuse Bag Distribution (40)</b>	<b>CSBG-D Read for Rent Project (41)</b>	<b>DOE/ TEFAP Distribution (42)</b>	<b>DHS/ Weatherization Program (43)</b>	<b>CGR Exterior Home Maintenance (44)</b>
\$ -	\$ (2,251)	\$ -	\$ (26,670)	\$ (38,342)	\$ (4,536)
-	2,251	-	28,529	38,723	4,536
-	-	-	28,449	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,308</u>	<u>\$ 381</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 228	\$ -	\$ -
-	-	-	1,631	381	-
-	-	-	28,449	-	-
-	-	-	30,308	381	-
-	-	-	28,449	-	-
-	-	-	-	-	-
-	-	-	(28,449)	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,308</u>	<u>\$ 381</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Concluded)  
General Fund  
June 30, 2007

	<b>DHS/ LIHEAP (45)</b>	<b>IPT/ MDOT Transportation (46)</b>	<b>AAAWM Senior Millage (47)</b>	<b>FEMA Emergency Food/Shelter (48)</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 8,107	\$ (19,142)	\$ 32,755
Accounts receivable	-	-	28,854	-
Inventory	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 8,107</u>	<u>\$ 9,712</u>	<u>\$ 32,755</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	73	3,117	-
Advance from grantors	-	238	-	32,755
Total liabilities	<u>-</u>	<u>311</u>	<u>3,117</u>	<u>32,755</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepaids	-	-	-	-
Unrestricted (deficit)	-	7,796	6,595	-
Total fund balance	<u>-</u>	<u>7,796</u>	<u>6,595</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 8,107</u>	<u>\$ 9,712</u>	<u>\$ 32,755</u>

<b>Migrant Emergency Services (49)</b>	<b>MSHDA Emergency Shelter Grant (50)</b>	<b>EITC/ TANF-E Tax Preparation (51)</b>	<b>CGR Neighborhood Support (52)</b>	<b>AAAWM Path (53)</b>	<b>Migrant Emergency Services (54)</b>
\$ 1,291	\$ -	\$ -	\$ (9,538)	\$ -	\$ (4,474)
-	-	-	9,538	-	4,474
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>1,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Continued)  
General Fund  
June 30, 2007

	DHS/ CSBG-T Tax Preparation (55)	MCAAA Medicaid Enrollment (56)	DTE/ THAW (57)	DOE/ CSFP Distribution (58)
<b>Assets</b>				
Cash and cash equivalents	\$ (2,012)	\$ 14,427	\$ (1,472)	\$ (21,861)
Accounts receivable	2,012	-	3,846	22,324
Inventory	-	-	-	88,122
Prepays	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 14,427</u>	<u>\$ 2,374</u>	<u>\$ 88,585</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	1,867	12	463
Advance from grantors	-	4,025	-	88,122
Total liabilities	<u>-</u>	<u>5,892</u>	<u>12</u>	<u>88,585</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	88,122
Reserved for prepaids	-	-	-	-
Unrestricted (deficit)	-	8,535	2,362	(88,122)
Total fund balance	<u>-</u>	<u>8,535</u>	<u>2,362</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 14,427</u>	<u>\$ 2,374</u>	<u>\$ 88,585</u>

<b>DHS TANF Case Management (59)</b>	<b>DHS LIHEAP (2) (60)</b>	<b>Weatherization and Client Education (61)</b>	<b>Kent Co. Community Development Weatherization (62)</b>	<b>MPSC Weatherization and Client Education (63)</b>	<b>DHS/ Client Education Services (64)</b>
\$ 7,326	\$ -	\$ (68,637)	\$ (9,117)	\$ -	\$ -
-	-	68,747	9,117	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,326</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
122	-	110	-	-	-
<u>7,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,326</u>	<u>-</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,326</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued....

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
Schedule of Balance Sheet Accounts - By Activity (Concluded)  
General Fund  
June 30, 2007

	MPSC/ MCAAA Weatherization (65)	MPSC/ MCAAA Energy Assistance (2) (66)	MPSC/ MCAAA Energy Assistance (67)	DHS/LIHEAP Deliverable Fuels (68)
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 11,843	\$ -
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Prepays	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,843</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ -	\$ -	-	-
Accounts payable	-	-	2,301	-
Advance from grantors	-	-	11,799	-
	<u>-</u>	<u>-</u>	<u>14,100</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>14,100</u>	<u>-</u>
<b>Fund Balance</b>				
Reserved for inventory	-	-	-	-
Reserved for prepaids	-	-	-	-
Unrestricted (deficit)	-	-	(2,257)	-
	<u>-</u>	<u>-</u>	<u>(2,257)</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>(2,257)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,843</u>	<u>\$ -</u>

<b>MCAAA Save Energy Program (69)</b>	<b>Circuit Breaker (70)</b>	<b>Rapid Response #1362 (75)</b>	<b>MCCD - MI Council on Crime and Development (76)</b>	<b>Job Search and Relocation (77)</b>	<b>Rapid Response #1330 (93)</b>	<b>Total</b>
\$ -	\$ 926	\$ (4,077)	\$ (375)	\$ (17,692)	\$ -	\$ 507,463
-	2,375	7,350	375	18,207	-	2,962,140
-	-	-	-	-	-	116,571
-	-	-	-	-	-	107,363
<u>\$ -</u>	<u>\$ 3,301</u>	<u>\$ 3,273</u>	<u>\$ -</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ 3,693,537</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,134,590
-	3,301	3,273	-	515	-	937,591
-	-	-	-	-	-	407,243
-	3,301	3,273	-	515	-	3,479,424
-	-	-	-	-	-	116,571
-	-	-	-	-	-	107,363
-	-	-	-	-	-	(9,821)
-	-	-	-	-	-	214,113
<u>\$ -</u>	<u>\$ 3,301</u>	<u>\$ 3,273</u>	<u>\$ -</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ 3,693,537</u>

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity  
General Fund  
For the Year Ended June 30, 2007**

	<b>Banking Fund (01)</b>	<b>Unrestricted (06)</b>	<b>Administrative Cost Pool (07)</b>	<b>MWA/DLEG Cost Pool (08)</b>
<b>Revenue</b>				
Grants	\$ -	\$ 7,549	\$ -	\$ -
Program income	-	-	-	-
Interest	-	848	-	-
Total revenue	-	8,397	-	-
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	-	-	-	-
Fringe benefits	-	-	-	-
Office supplies and postage	-	-	-	-
Travel	-	-	-	-
Outside services	-	-	-	-
Occupancy expenditures	-	-	-	-
Equipment lease and maintenance	-	-	-	-
Small equipment and supplies	-	-	-	-
Other	-	22,411	-	-
Commodities	-	-	-	-
Subrecipient program costs	-	-	-	-
Direct client expenditures	-	-	-	-
Total expenditures	-	22,411	-	-
Net change in fund balances	-	(14,014)	-	-
Fund balances, beginning of year, as restated	-	199,651	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 185,637</b>	<b>\$ -</b>	<b>\$ -</b>

<b>CAP Cost Pool (09)</b>	<b>WIA Local Administration (10)</b>	<b>WIA Adult Regular (11)</b>	<b>WIA Youth Regular (12)</b>	<b>WIA Dislocated Worker Regular (13)</b>	<b>Dislocated Worker Scholarships (14)</b>
\$ -	\$ 704,087	\$ 2,080,787	\$ 2,152,223	\$ 3,037,283	\$ 109,236
-	-	-	-	-	-
-	86	150	274	159	-
-	704,173	2,080,937	2,152,497	3,037,442	109,236
-	346,298	57,249	21,023	93,433	-
-	142,184	23,927	8,879	40,109	-
-	11,529	11,856	1,606	13,050	-
-	9,448	-	1,082	-	-
-	63,217	690	147	658	-
-	61,278	73,045	6,129	71,729	-
-	13,233	3,892	1,252	4,195	-
-	2,464	-	-	-	-
-	54,522	16,329	7,458	15,588	-
-	-	-	-	-	-
-	-	1,893,949	2,104,921	2,798,680	109,236
-	-	-	-	-	-
-	704,173	2,080,937	2,152,497	3,037,442	109,236
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

continued....

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	WIA Incumbent Work - SWA (15)	WIA Navigator (16)	WIA Incentive Grant (17)	WIA Service Center Operations (18)
<b>Revenue</b>				
Grants	\$ 216,465	\$ 53,241	\$ 104,060	\$ 288,747
Program income	-	-	-	-
Interest	101	-	-	-
Total revenue	<u>216,566</u>	<u>53,241</u>	<u>104,060</u>	<u>288,747</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	7,229	1,390	1,089	16,954
Fringe benefits	2,933	597	-	7,383
Office supplies and postage	237	37	521	1,408
Travel	197	-	33	573
Outside services	1,222	-	2,519	3,449
Occupancy expenditures	1,092	-	122	221,704
Equipment lease and maintenance	268	-	25	4,440
Small equipment and supplies	57	-	-	174
Other	1,123	314	271	32,662
Commodities	-	-	-	-
Subrecipient program costs	202,208	50,903	99,480	-
Direct client expenditures	-	-	-	-
Total expenditures	<u>216,566</u>	<u>53,241</u>	<u>104,060</u>	<u>288,747</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year, as restated	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Rapid Response #1346 (19)</b>	<b>Ex-Offenders &amp; One Stop (20)</b>	<b>WIA Displaced Homemaker SWA (21)</b>	<b>Employment Service (22)</b>	<b>WIA Capacity Building -SWA (23)</b>	<b>Work First GF/GP State (24)</b>
\$ 6,572	\$ 303,144	\$ 39,121	\$ 1,030,945	\$ 72,000	\$ 895,406
-	-	-	-	-	-
-	6	107	100	-	672
<u>6,572</u>	<u>303,150</u>	<u>39,228</u>	<u>1,031,045</u>	<u>72,000</u>	<u>896,078</u>
-	40,588	2,063	91,812	1,017	3,643
-	16,946	-	37,856	-	-
53	1,077	-	(4,765)	423	633
1,319	939	-	2,688	-	602
5,200	1,291	-	14,009	-	2,298
-	1,495	-	16,059	-	2,136
-	283	-	3,258	-	3,541
-	56	-	630	-	-
-	2,347	-	12,213	-	103,993
-	-	-	-	-	-
-	238,128	37,165	857,285	70,560	636,222
-	-	-	-	-	143,010
<u>6,572</u>	<u>303,150</u>	<u>39,228</u>	<u>1,031,045</u>	<u>72,000</u>	<u>896,078</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	Trade Adjustment Assistance (25)	Food Assistance E&T Support (26)	Work First Cost Pool (27)	Rapid Response Contract (28)
<b>Revenue</b>				
Grants	\$ 2,651,211	\$ 48,640	\$ (5,270)	\$ -
Program income	-	-	-	-
Interest	(42)	(12)	-	-
Total revenue	<u>2,651,169</u>	<u>48,628</u>	<u>(5,270)</u>	<u>-</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	62,184	(181)	329,332	-
Fringe benefits	25,628	(1,882)	136,297	-
Office supplies and postage	7,025	1,849	12,333	-
Travel	1,569	(66)	8,107	-
Outside services	13,053	47	43,165	-
Occupancy expenditures	39,706	(305)	141,880	-
Equipment lease and maintenance	3,667	(708)	9,465	-
Small equipment and supplies	466	70	1,368	-
Other	9,670	(666)	(741,637)	-
Commodities	-	-	-	-
Subrecipient program costs	2,488,201	47,210	2	-
Direct client expenditures	-	3,260	54,418	-
Total expenditures	<u>2,651,169</u>	<u>48,628</u>	<u>(5,270)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year, as restated	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>Work First Reed (29)</b>	<b>Work First TANF (30)</b>	<b>CSBG Program (31)</b>	<b>CGR Administrative Support (32)</b>	<b>CGR Local Support (33)</b>	<b>Kent County Local Support (34)</b>
\$ 549,730	\$ 4,521,459	\$ 1,060,676	\$ 11,444	\$ 146,434	\$ 105,408
-	-	-	-	-	-
(2,125)	(2,005)	-	189	252	159
<u>547,605</u>	<u>4,519,454</u>	<u>1,060,676</u>	<u>11,633</u>	<u>146,686</u>	<u>105,567</u>
-	33,001	530,282	7,213	100,632	52,045
-	14,697	222,121	2,727	29,440	34,405
-	1,187	1,522	60	3,086	3,667
-	965	9,375	27	7,963	541
-	5,787	32,609	1,076	551	1,692
-	(360)	170,167	231	1,612	10,055
-	1,318	23,085	179	2,837	1,036
-	253	6,147	-	-	-
48,925	576,027	38,877	120	565	2,126
-	-	-	-	-	-
290,336	3,187,507	26,491	-	-	-
208,344	699,072	-	-	-	-
<u>547,605</u>	<u>4,519,454</u>	<u>1,060,676</u>	<u>11,633</u>	<u>146,686</u>	<u>105,567</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>Kent County Administrative Support (35)</b>	<b>AAAWM/ Older American Services (36)</b>	<b>Senior Meals Program (LAS) (37)</b>	<b>Senior Meals Program (WSC) (38)</b>
<b>Revenue</b>				
Grants	\$ 15,809	\$ 26,584	\$ 154,738	\$ 2,811
Program income	-	-	3,442	(75)
Interest	-	173	172	-
<b>Total revenue</b>	<b>15,809</b>	<b>26,757</b>	<b>158,352</b>	<b>2,736</b>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	7,664	17,088	47,449	4,455
Fringe benefits	2,294	7,192	19,906	1,350
Office supplies and postage	1,615	429	15,698	110
Travel	186	1,665	2,977	(4,030)
Outside services	826	-	1,963	738
Occupancy expenditures	1,128	383	14,245	111
Equipment lease and maintenance	477	-	708	-
Small equipment and supplies	905	-	-	-
Other	714	-	49,961	2
Commodities	-	-	-	-
Subrecipient program costs	-	-	-	-
Direct client expenditures	-	-	-	-
<b>Total expenditures</b>	<b>15,809</b>	<b>26,757</b>	<b>152,907</b>	<b>2,736</b>
Net change in fund balances	-	-	5,445	-
Fund balances, beginning of year, as restated	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,445</b>	<b>\$ -</b>

<b>Senior Meals Program (WSC) (39)</b>	<b>CGR Refuse Bag Distribution (40)</b>	<b>CSBG-D Read for Rent Project (41)</b>	<b>DOE/ TEFAP Distribution (42)</b>	<b>DHS/ Weatherization Program (43)</b>	<b>CGR Exterior Home Maintenance (44)</b>
\$ -	\$ 9,004	\$ -	\$ 968,493	\$ 562,574	\$ 55,385
-	-	-	-	-	-
-	-	-	32	-	-
-	9,004	-	968,525	562,574	55,385
-	6,120	-	120,702	106,094	3,572
-	2,698	-	43,336	44,102	1,107
-	186	-	24,519	4,680	500
-	-	-	58,872	6,369	-
-	-	-	4,808	3,577	-
-	-	-	19,742	15,937	-
-	-	-	2,861	2,225	-
-	-	-	152	130	-
-	-	-	28,053	5,977	-
-	-	-	665,480	-	-
-	-	-	-	373,483	50,206
-	-	-	-	-	-
-	9,004	-	968,525	562,574	55,385
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	DHS/ LIHEAP (45)	IPT/ MDOT Transportation (46)	AAAWM Senior Millage (47)	FEMA Emergency Food/Shelter (48)
<b>Revenue</b>				
Grants	\$ 35,722	\$ 11,604	\$ 276,702	\$ 10,976
Program income	-	237	-	-
Interest	220	190	-	-
Total revenue	<u>35,942</u>	<u>12,031</u>	<u>276,702</u>	<u>10,976</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	17,027	1,880	103,073	-
Fringe benefits	6,736	763	43,180	-
Office supplies and postage	5,427	41	2,961	-
Travel	125	100	32,242	-
Outside services	484	-	2,645	-
Occupancy expenditures	879	1,451	849	-
Equipment lease and maintenance	188	-	-	-
Small equipment and supplies	15	-	-	-
Other	518	-	2,510	-
Commodities	-	-	-	-
Subrecipient program costs	4,543	-	82,647	10,976
Direct client expenditures	-	-	-	-
Total expenditures	<u>35,942</u>	<u>4,235</u>	<u>270,107</u>	<u>10,976</u>
Net change in fund balances	-	7,796	6,595	-
Fund balances, beginning of year, as restated	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 7,796</u>	<u>\$ 6,595</u>	<u>\$ -</u>

<b>Migrant Emergency Services (49)</b>	<b>MSHDA Emergency Shelter Grant (50)</b>	<b>EITC/ TANF-E Tax Preparation (51)</b>	<b>CGR Neighborhood Support (52)</b>	<b>AAAWM Path (53)</b>	<b>Migrant Emergency Services (54)</b>
\$ 209	\$ 35,745	\$ -	\$ 24,145	\$ 72	\$ 15,919
-	-	-	-	-	-
-	-	-	-	-	-
<u>209</u>	<u>35,745</u>	<u>-</u>	<u>24,145</u>	<u>72</u>	<u>15,919</u>
-	-	-	17,375	-	6,038
-	-	-	4,900	72	2,173
-	-	-	1,350	-	-
-	-	-	200	-	393
-	-	-	-	-	-
-	-	-	320	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
209	35,745	-	-	-	7,315
-	-	-	-	-	-
<u>209</u>	<u>35,745</u>	<u>-</u>	<u>24,145</u>	<u>72</u>	<u>15,919</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Continued)**

**General Fund**

**For the Year Ended June 30, 2007**

	<b>DHS/ CSBG-T Tax Preparation (55)</b>	<b>MCAAA Medicaid Enrollment (56)</b>	<b>DTE/ THAW (57)</b>	<b>DOE/ CSFP Distribution (58)</b>
<b>Revenue</b>				
Grants	\$ 9,997	\$ 60,843	\$ 11,017	\$ 413,796
Program income	-	-	-	-
Interest	-	250	-	12
Total revenue	<u>9,997</u>	<u>61,093</u>	<u>11,017</u>	<u>413,808</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	6,464	29,140	5,678	25,216
Fringe benefits	2,914	11,936	2,523	11,275
Office supplies and postage	382	5,870	149	5,063
Travel	-	384	-	6,406
Outside services	-	-	-	-
Occupancy expenditures	-	807	305	-
Equipment lease and maintenance	-	1,002	-	108
Small equipment and supplies	-	-	-	-
Other	237	3,419	-	61,280
Commodities	-	-	-	304,460
Subrecipient program costs	-	-	-	-
Direct client expenditures	-	-	-	-
Total expenditures	<u>9,997</u>	<u>52,558</u>	<u>8,655</u>	<u>413,808</u>
Net change in fund balances	-	8,535	2,362	-
Fund balances, beginning of year, as restated	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 8,535</u>	<u>\$ 2,362</u>	<u>\$ -</u>

<b>DHS TANF Case Management (59)</b>	<b>DHS LIHEAP (2) (60)</b>	<b>Weatherization and Client Education (61)</b>	<b>Kent Co. Community Development Weatherization (62)</b>	<b>MPSC Weatherization and Client Education (63)</b>	<b>DHS/ Client Education Services (64)</b>
\$ 122,863	\$ -	\$ 293,463	\$ 30,495	\$ 88,901	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>122,863</u>	<u>-</u>	<u>293,463</u>	<u>30,495</u>	<u>88,901</u>	<u>-</u>
61,030	-	61,377	-	11,646	-
23,895	-	23,205	-	3,843	-
3,230	-	779	-	413	-
1,079	-	271	-	42	-
-	-	3,021	-	216	-
2,046	-	2,183	-	305	-
-	-	486	-	49	-
-	-	-	-	18	-
1,251	-	943	-	133	-
-	-	-	-	-	-
30,332	-	201,198	30,495	72,236	-
-	-	-	-	-	-
<u>122,863</u>	<u>-</u>	<u>293,463</u>	<u>30,495</u>	<u>88,901</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

continued...

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**

**Schedule of Revenue, Expenditures and Changes  
in Fund Balances - By Activity (Concluded)**

**General Fund**

**For the Year Ended June 30, 2007**

	MPSC/ MCAAA Weatherization (65)	MPSC/ MCAAA Energy Assistance (2) (66)	MPSC/ MCAAA Energy Assistance (67)	DHS/LIHEAP Deliverable Fuels (68)
<b>Revenue</b>				
Grants	\$ -	\$ 17,553	\$ 78,795	\$ 68,342
Program income	-	-	-	-
Interest	-	-	-	44
Total revenue	<u>-</u>	<u>17,553</u>	<u>78,795</u>	<u>68,386</u>
<b>Expenditures</b>				
Operating costs:				
Salaries and wages	-	(267)	7,912	-
Fringe benefits	-	-	-	-
Office supplies and postage	-	(57)	2,918	-
Travel	-	(1)	-	-
Outside services	-	(2)	94	-
Occupancy expenditures	-	-	23	-
Equipment lease and maintenance	-	-	105	-
Small equipment and supplies	-	-	-	-
Other	-	-	43	-
Commodities	-	-	-	-
Subrecipient program costs	-	17,880	69,957	68,386
Direct client expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>17,553</u>	<u>81,052</u>	<u>68,386</u>
Net change in fund balances	-	-	(2,257)	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,257)</u>	<u>\$ -</u>

<b>MCAAA Save Energy Program (69)</b>	<b>Circuit Breaker (70)</b>	<b>Rapid Response #1362 (75)</b>	<b>MCCD - MI Council on Crime and Development (76)</b>	<b>Job Search and Relocation (77)</b>	<b>Rapid Response #1330 (93)</b>	<b>Total</b>
\$ 3,595	\$ 31,481	\$ 7,350	\$ 3,596	\$ 18,207	\$ -	\$ 23,657,384
-	-	-	-	-	-	3,604
-	-	-	-	-	-	12
<b>3,595</b>	<b>31,481</b>	<b>7,350</b>	<b>3,596</b>	<b>18,207</b>	<b>-</b>	<b>23,661,000</b>
2,342	-	-	183	-	-	2,467,554
1,166	-	-	-	-	-	1,004,813
62	-	84	87	-	-	144,890
-	-	1,116	45	-	-	153,803
-	-	5,150	3,281	-	-	219,481
-	-	-	-	-	-	878,489
-	-	-	-	-	-	83,475
-	-	-	-	-	-	12,905
-	-	1,000	-	-	-	359,279
-	-	-	-	-	-	969,940
25	31,481	-	-	18,207	-	16,243,805
-	-	-	-	-	-	1,108,104
<b>3,595</b>	<b>31,481</b>	<b>7,350</b>	<b>3,596</b>	<b>18,207</b>	<b>-</b>	<b>23,646,538</b>
-	-	-	-	-	-	14,462
-	-	-	-	-	-	199,651
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 214,113</b>

**AREA COMMUNITY SERVICES EMPLOYMENT  
AND TRAINING COUNCIL**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**June 30, 2007**

	<u>Payroll Fund</u>	<u>Agency Fund</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 90,258	\$ 67,372	\$ 157,630
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 67,372	\$ 67,372
Accrued liabilities	90,258	-	90,258
Total liabilities	\$ 90,258	\$ 67,372	\$ 157,630

# **SINGLE AUDIT ACT COMPLIANCE**



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**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***

March 17, 2008

Board of Directors  
Area Community Services Employment and Training Council  
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, the general fund and the aggregate remaining fund information of Area Community Services Employment and Training Council as of and for the year ended June 30, 2007, and have issued our report thereon dated March 17, 2008. 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 Area Community Services Employment and Training Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Area Community Services Employment and Training Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Area Community Services Employment and Training Council's internal control over financial reporting.

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 internal control that might be significant deficiencies or material weaknesses. However, as discussed in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider findings 2007-1 and 2007-2 described in the accompanying schedule of findings and questioned costs 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 entity's internal control.

Our considering 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 each of the significant deficiencies mentioned above to be material weaknesses.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Area Community Services Employment and Training Council in a separate letter dated March 17, 2008.

Area Community Services Employment and Training Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Area Community Services Employment and Training Council's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**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**

March 17, 2008

Board of Directors  
Area Community Services Employment and Training Council  
Grand Rapids, Michigan

**Compliance**

We have audited the compliance of Area Community Services Employment and Training 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 June 30, 2007. Area Community Services Employment and Training Council's major federal programs are identified in the summary of auditors' 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 Area Community Services Employment and Training 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 Area Community Services Employment and Training 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 of Area Community Services Employment and Training Council's compliance with those requirements.

In our opinion, Area Community Services Employment and Training 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 June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs at item 2007-3.

### **Internal Control Over Compliance**

The management of Area Community Services Employment and Training Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Area Community Services Employment and Training Council's internal control over compliance with the 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 Area Community Services Employment and Training Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2007-4 to be a significant deficiency.

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. However, we consider the significant deficiency in internal control over compliance mentioned above to be a material weakness.

Area Community Services Employment and Training Council's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Area Community Services Employment and Training Council's response and, accordingly, we express no opinion on it.

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



**Area Community Services Employment and Training Council**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

<b>Federal Agency / Pass-Through Grantor / Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed through Michigan Department of Labor and Economic Growth: State Administrative Matching Grants For Food Stamp Program	10.561	\$ 48,640
Passed through Michigan Department of Education:		
Emergency Food Assistance Program (Administrative Costs)	10.568	303,013
Emergency Food Assistance Program (Food Commodities)	10.569	665,483
Commodity Surplus Food Program	10.565	413,797
<b>Total U.S. Department of Agriculture</b>		<b>1,430,933</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed through the City of Grand Rapids: Community Development Block Grants/Entitlement Grants	14.218	55,386
Passed through Kent County: Community Development Block Grants/Entitlement Grants	14.218	30,495
<b>Total U.S. Department of Housing and Urban Development</b>		<b>85,881</b>
<b><u>U.S. Department of Justice</u></b>		
Passed through the City of Grand Rapids: Juvenile Accountability Incentives Block Grants	16.523	24,145
<b><u>U.S. Department of Labor</u></b>		
Direct Programs: Ex Offender Program	17.257	303,144
Passed through Michigan Department of Labor and Economic Growth:		
Employment Service/Wagner-Peyser Act Funded Activities	17.207	1,037,517
Trade Adjustment Assistance	17.245	2,669,418
WIA Adult Program	17.258	2,080,787
WIA Youth Activities	17.259	2,152,224
WIA Dislocated Workers	17.260	4,578,347
Work Incentive Grants	17.266	53,242
<b>Total U.S. Department of Labor</b>		<b>12,874,679</b>
<b><u>U.S. Department of Energy</u></b>		
Passed through Michigan Department of Human Services: Weatherization Assistance	81.042	562,576
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed through Area Agency of Aging of Western Michigan: Special Programs for the Aging Title III, Part B Grants For Supportive Services and Senior Centers	93.044	26,583
Passed through Senior Meals Inc.: Special Program for the Aging Title III, Part C Nutrition Services	93.045	152,105
Passed through Michigan Department of Labor and Economic Growth: Temporary Assistance for Needy Families	93.558	5,071,193

Continued...

**Area Community Services Employment and Training Council**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2007**

<b>Federal Agency / Pass-Through Grantor / Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Health and Human Services (Continued)</u></b>		
Passed through Michigan Department of Human Services:		
Temporary Assistance for Needy Families	93.558	\$ 122,862
Low-Income Home Energy Assistance	93.568	104,064
Community Services Block Grant	93.569	<u>1,070,886</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>6,547,693</u></b>
<b><u>U.S. Department of Homeland Security</u></b>		
Direct Programs:		
FEMA Housing Assistance	97.024	<u>10,976</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$ 21,536,883</u></u></b>

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Accounting

Cash received is recorded on the cash basis. Expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

### 2. Reconciliation of Basic Financial Statements

Federal expenditures from the June 30, 2007 Schedule of Expenditures of Federal Awards reconcile to federal grant revenues, a component of grant revenue in the June 30, 2007 financial statements.

### 3. Subrecipients

The Council administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the Area Community Services Employment Training Council reporting entity. Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, Area Community Services Employment and Training Council provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Employment Service / Wagner – Peyser Funded Activities	17.207	\$ 857,285
Trade Adjustment Assistance	17.245	2,540,996
Ex Offender Program	17.257	161,237
Workfirst Investment Act – Adult	17.258	1,885,743
Workfirst Investment Act – Youth	17.259	2,151,854
Workfirst Investment Act – Dislocated Workers	17.260	3,317,329
Temporary Assistance for Needy Families	93.558	4,393,515
Total provided to subrecipients		<u><u>\$ 15,307,959</u></u>

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2007**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued:	<i>Unqualified</i>	
Internal controls over financial reporting:		
Material weakness(es) identified?	<u>  x  </u> yes	<u>      </u> no
Significant deficiency(ies) 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 weakness(es) identified?	<u>  x  </u> yes	<u>      </u> no
Significant deficiency(ies) 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:	<i>Unqualified</i>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u>  x  </u> yes	<u>      </u> no

***Identification of Major Programs***

<b><i>CFDA Number(s)</i></b>	<b><i>Name of Federal Program or Cluster</i></b>
10.568, 10.569 17.207	Emergency Food Assistance Program Employment Service Act / Wagner-Peyser Act Funded Activities
17.245 17.258, 17.259, 17.260	Trade Adjustment Assistance Workforce Investment Act
93.558 93.569	Temporary Assistance for Needy Families Community Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$ 646,106  </u>
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  x  </u> no

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2007-1: Preparation of Financial Statements in Accordance with GAAP

<b>Criteria:</b>	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Council's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).
<b>Condition:</b>	As is the case with many smaller and medium-sized entities, the council has historically relied on its independent external auditors to assist in the preparation of various year-end accruals and other adjustments, as well as the drafting of the financial statements and footnotes as part of its external financial reporting process.
<b>Cause:</b>	This condition was caused by the Council's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
<b>Effect:</b>	As a result of this condition, the Council lacks internal controls over the preparation of its financial statements in accordance with GAAP, and instead relied, in part, on its external auditors for assistance with this task.
<b>View of Responsible Officials:</b>	The Council has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Council to outsource this task to its external auditors, and to carefully review and draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### Finding 2007-2: Material Audit Adjustments

<b>Criteria:</b>	Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).
<b>Condition:</b>	During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the Council's general ledger to the appropriate balances. These adjustments included restating beginning equity to properly record opening balances, reversing prior year accruals, recording receipt/disbursement of food commodities and the related ending inventory, and adjustments to properly account for year-end receivables and deferrals.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

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### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### Finding 2007-2: Material Audit Adjustments (Continued)

<b>Cause:</b>	This condition was the result of various oversights by management in reconciling the general ledger and closing out the fiscal year.
<b>Effect:</b>	As a result of this condition, the Council's internal accounting records were initially misstated by amounts material to the financial statements. Accordingly, we believe there is more than a remote likelihood that a material misstatement of the financial statements could exist and not be prevented or detected by the entity's internal control.
<b>Recommendation:</b>	We recommend that the Council carefully evaluate its existing control environment and make such additions or changes as it deems appropriate to reduce the risk that misstatements will not be prevented or detected by the Council's management.
<b>View of Responsible Officials:</b>	The Council agrees that it is responsible for the careful review of all general ledger accounts prior to the annual audit. The Council accepts the responsibility of reconciling all general ledger accounts and making appropriate adjustments before the closing of the fiscal year.

### SECTION III – FEDERAL AWARDS FINDINGS

#### Finding 2007-3: Immaterial Noncompliance over Federal Awards – Subrecipient Monitoring CFDA # 17.258, 17.259, 17.260 – Workfirst Investment Act; CFDA# 17.207—Employment Service Act / Wagner-Peyser Act Funded Activities

<b>Criteria:</b>	Entities passing through federal funding to subrecipients are required to comply with certain requirements as published in OMB Circular A-133. Among these requirements is the need to identify to each subrecipient the CFDA number of the award and the federal agency providing the funding. In addition, the Council must ensure that the subrecipient complies with the audit requirements of OMB Circular A-133.
<b>Condition:</b>	The Council passed through various federal grants to subrecipients for which it failed to communicate the information described above.
<b>Cause:</b>	This condition was caused by a management oversight in communicating the required information.
<b>Effect:</b>	While subrecipient monitoring did occur for these grants, the required communication of CFDA numbers was incomplete.
<b>Recommendation:</b>	We recommend that the Council update its subrecipient agreements to ensure that all required information is being communicated.

# AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

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### SECTION III – FEDERAL AWARDS FINDINGS (Continued)

#### **Finding 2007-3: Immaterial Noncompliance over Federal Awards – Subrecipient Monitoring (Continued)**

**View of Responsible Officials:** The Council agrees with finding 2007-3 and will add the CFDA number of the award and the federal agency providing the funding to all contracts with subrecipients.

#### **Finding 2007-4: Material Audit Adjustments to Federal Awards**

**Criteria:** Management is responsible for maintaining its grant records in accordance with federal cost principles and/or generally accepted accounting principles (GAAP).

**Condition:** As described in finding 2007-2, we identified and proposed various material adjustments (which were approved and posted by management) to adjust the Council's general ledger to the appropriate balances. These adjustments affected federal grant awards.

**Cause:** This condition was the result of various oversights by management in reconciling the general ledger and closing out the fiscal year.

**Effect:** As a result of this condition, the Council's accounting records were initially misstated by amounts material to the financial statements. Since virtually all of the Council's funding is received through federal grants, this condition also results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program could occur and not be prevented or detected by the entity's internal control.

**Recommendation:** We recommend that the Council carefully evaluate its existing control environment and make such additions or changes as it deems appropriate to reduce the risk that misstatements will not be prevented or detected by the Council's management.

**View of Responsible Officials:** To reiterate the Council's response to finding 2007-2, the Council agrees to reconcile all general ledger accounts and make appropriate adjustments before the closing of the fiscal year.

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2007**

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

- Finding 2006-1**                      The Council's financial statements required numerous material adjustments and therefore adequate controls over the preparation of financial reporting did not exist. Corrective action was not sufficient (refer to finding 2007-2).
- Finding 2006-2**                      The Council was inadequately prepared for the audit which resulted in the delayed issuance of the financial statements. Corrective action was not sufficient (refer to finding 2007-2).
- Finding 2006-3**                      There existed a lack of segregation of duties in the preparation, approval and review of journal entries. Corrective action was sufficient.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**

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March 17, 2008

To the Board of Directors of the  
Area Community Services Employment and Training Council  
Grand Rapids, Michigan

We have audited the financial statements of the Area Community Services Employment and Training Council for the year ended June 30, 2007, and have issued our report thereon dated March 17, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 9, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Area Community Services Employment and Training 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 assurance on the internal control over financial reporting. We also considered 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.

As part of obtaining reasonable assurance about whether the Area Community Services Employment and Training Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Area Community Services Employment and Training Council's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Area Community Services Employment and Training Council's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Area Community Services Employment and Training Council's compliance with those requirements.



**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Area Community Services Employment and Training Council are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Area Community Services Employment and Training Council during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Area Community Services Employment and Training Council's financial reporting process (that is, cause future financial statements to be materially misstated). As described in the accompanying schedule of comments and recommendations, we proposed numerous journal entries, all of which were recorded by management, which in our judgment, had a significant effect on the Area Community Services Employment and Training Council's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

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

**Issues Discussed Prior to Retention of Independent Auditors**

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

**Difficulties Encountered in Performing the Audit**

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

This letter and the accompanying memorandum are intended for the 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.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Johnson".

**Area Community Services Employment and Training Council**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2007**

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In planning and performing our audit of the financial statements of the Area Community Services Employment and Training Council as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the Council's Single Audit report.

**Other Matters**

*Operating Policies*

We noted during our audit that the Council has no formal policies over investing, use of credit cards, and capitalization of fixed assets. We recommend that the Board adopt appropriate policies over these areas so management has written direction regarding daily operations.

*Financial Reporting System*

As noted in the single audit report, we proposed (and management approved and posted) numerous adjusting journal entries to correct the financial records of the Council. These adjustments not only affected the Council as a whole, but also affected the distribution of amounts between the various grant funds (which are reported as separate activities of the general fund in the audited financial statements). The Council's financial reporting system appears to be adequately designed. However, the need for these adjustments represents a failure in the operation of these controls, and raises concerns about the Council's ability to accurately account its activities under the current structure. Among the errors noted during our audit were charges to several cost pools that were never fully allocated to individual grants, and accumulated equity (or deficits) in various grant funds that are designed to operate on a break-even basis each month. The cumulative effect of these adjustments resulted in a change to the "unrestricted fund" of the Council of more than \$92,000. Fortunately, this change was an increase to unrestricted funds. However, the fact that such a

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large discrepancy could exist, and not be detected represents a material weakness in the Council's internal controls.

While we were ultimately able to assist management in making the adjustments necessary to correctly state the year end balances, the Council's reliance of grant funding with varying fiscal years makes it difficult to pass all of these adjustments through to these grants.

We recommend that the Council consider hiring or contracting for additional assistance in area of financial accounting and reporting to ensure that the Organization's management collectively possess the requisite qualifications and experience to adequately prepare for the annual audit and prevent or detect misstatements on a timely basis throughout the year.

*Accumulation of Resources in the Internal Service Fund*

The Council tracks earned but unused sick and vacation time (compensated absences) in an internal service fund (the Employee Leave Fund, or "ELF"). This fund is designed to operate on a break-even basis (i.e., charging the individual grants for exactly what time was earned); however, errors in posting led to accumulation of nearly \$40,000 of net income in this fund during the past year. As federal cost principals permit the Council to accumulate up to 60 days worth of cash needs, this did not result in a violation of federal statutes. Nevertheless, these excess funds should be abated in fiscal year 2008 and closely monitored in the future.

*Use of Operating Budget*

As required by state statutes, the Council adopts an annual budget, which encompasses the entire organization. However, this budget is not currently incorporated into the Council's accounting software. Accordingly, while budget to actual comparisons are made monthly at the program level by individual grants, there is not a mechanism for generating system reports to compare the operating results of non-grant funds to budget. We recommend that the Council develop a procedure for tracking and performing periodic reviews of budgetary compliance at the entity level, as well as on a grant-by-grant basis.

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