

**West Central Michigan Employment
and Training Consortium**

(d/b/a "Michigan Works! West Central")

Big Rapids, Michigan

Financial Statements and Additional Information
Year Ended June 30, 2007

COPY

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name West Central Michigan E&T Consortium	County Mecosta
Fiscal Year End June 30, 2007	Opinion Date November 20, 2007	Date Audit Report Submitted to State December 19, 2007	

We affirm that:

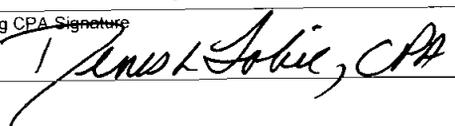
We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Wipfli LLP		Telephone Number 608.274.1980		
Street Address 2901 West Beltline Highway, Suite 201		City Madison	State WI	Zip 53713
Authorizing CPA Signature 		Printed Name Denes L. Tobie, CPA		License Number 1101027328

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Financial Statements and Additional Information
Year Ended June 30, 2007

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet - Governmental Fund	11
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	13
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
Additional Information	
Schedule of Expenditures of Federal Awards and Other Financial Assistance	21
Budgetary Comparison Schedule - General Fund	23
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	26
Schedule of Findings and Questioned Costs	28



Independent Auditor's Report

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of West Central Michigan Employment and Training Consortium'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 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 opinion.

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 of West Central Michigan Employment and Training Consortium as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of West Central Michigan Employment and Training Consortium'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.

Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on page 23 are not a required part of the basic financial statements but are additional information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required additional information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the West Central Michigan Employment and Training Consortium basic financial statements. The accompanying schedule of expenditures of federal awards and other financial assistance, Schedule A-1 to A-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 20, 2007
Madison, Wisconsin

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Financial Highlights

- West Central Michigan Employment and Training Consortium's (the "Consortium") overall financial position, as reflected in total net assets, increased by \$60,058.
- In governmental funds, the total fund balance increased by \$1,021.

A synopsis of key financial activities for the 2006/2007 fiscal year is as follows:

- The Consortium was awarded a planning grant of \$41,400 from the Michigan Council on Crime and Delinquency to coordinate and implement a partnership with the Central Area Michigan Works! Consortium to provide services for the Michigan Prisoner Re-Entry Initiative (MPRI). The Consortium has also been designated to be the fiduciary for both Michigan Works! agencies for this initiative.
- During the final quarter of the program year, the State of Michigan was in a cash flow crisis. The Governor issued an Executive Directive, which included instructing the State Administrative Board to delay their approval process, including canceling some of their bi-monthly meetings. It was unclear for several weeks on exactly what programs and funding was affected by this Directive. Even though an overwhelming percentage of the Consortium's funding is federal in nature, the State of Michigan still requires legislated spending authority at the state level. The Consortium made the decision to draw down the majority of its available cash in order to avert the possible shutting down of its five service centers and the possible layoff of service provider and administrative staff. This decision resulted in the Consortium being out of compliance with the state mandated excess cash rule.
- The Consortium exceeded all of the 17 WIA Performance Standards, which qualifies the Consortium to share in the incentive funds for fiscal year ended June 30, 2007. For the last five years, the Consortium has exceeded each of the 17 WIA Performance Standards, except for one year, when the Consortium failed to exceed one standard by 1/2%. This performance resulted in the Consortium having the second best WIA performance of the 25 Michigan Works! agencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Consortium's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-Wide Financial Statements

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the Consortium's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of the Consortium's assets and liabilities, with the difference between the two being reported as net assets.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

- The statement of activities presents information showing how the Consortium's net assets changed during the year.
- The government-wide financial statements are shown on pages 9 and 10 of this report.

Fund Financial Statements

- The Consortium also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Consortium, like other federal, state, and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the Consortium's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenue, expenditures, and changes in fund balances.
- The Consortium has only one fund - the governmental general fund. The general fund accounts for all federal, state, and local grant-funded programs.

The major features of the Consortium's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

	Government-Wide Statements	Fund Financial Statements Governmental
Scope	Entire Government.	The programmatic and operating activities of the Consortium such as employment and training.
Required Financial Statements	Statement of net assets and statement of activities.	Balance sheet and statement of revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Consortium's government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 20 of this report.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$208,755 at June 30, 2007, and \$148,697 at June 30, 2006. Table 1 below provides a summary of the Consortium's net assets for the years ended June 30, 2007 and 2006.

Table 1
Condensed Statement of Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Current and other assets	\$ 1,152,031	\$ 527,038
Capital assets	140,212	81,175
Total assets	1,292,243	608,213
Current liabilities	1,083,488	459,516
Total liabilities	1,083,488	459,516
Net assets:		
Invested in capital assets	140,212	81,175
Unrestricted	68,543	67,522
Total net assets	\$ 208,755	\$ 148,697

In governmental activities for the year ended June 30, 2007, total assets increased by \$684,030 including an increase in cash of \$988,505 and a decrease in grants receivable of \$362,107. Total liabilities increased \$623,972 primarily due to the \$508,460 increase in unearned revenue.

In governmental activities for the year ended June 30, 2006, total assets decreased by \$248,616 including a decrease in grants receivable of \$270,849. Total liabilities decreased \$269,149 primarily due to the \$272,525 decrease in accounts payable.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal years 2007 and 2006.

Table 2
Change in Net Assets

	2007		2006	
	Amount	Percentage of Funding	Amount	Percentage of Funding
Revenue:				
Operating grants and contributions	\$ 4,969,249	97.90%	\$ 4,895,523	99.06%
Other revenue	9,633	0.19%	4,110	0.08%
Capital grants and contributions	97,057	1.91%	42,354	0.86%
Total revenue	5,075,939	100.00%	4,941,987	100.00%
Expenses:				
Job training:				
Administration	\$ 482,410	9.62%	\$ 443,465	9.01%
Program	412,821	8.23%	308,764	6.27%
Direct administration	104,891	2.09%	123,623	2.51%
Direct client program	865,708	17.26%	1,037,321	21.08%
Direct client participant	245,997	4.90%	255,353	5.19%
Supportive services	263,666	5.26%	333,520	6.78%
WIA services	2,501,010	49.86%	2,323,741	47.22%
Depreciation	38,020	0.76%	22,196	0.45%
Other	101,358	2.02%	73,471	1.49%
Total expenses	5,015,881	100.00%	4,921,454	100.00%
Changes in net assets	60,058		20,533	
Net assets - beginning of year	148,697		128,164	
Net assets - end of year	\$ 208,755		\$ 148,697	

As shown, program revenue in the form of grants, contributions, and other revenue provides about 98.09% and 99.14% for the years ended June 30, 2007 and 2006, respectively, of the funds for governmental activities, which are expended primarily on core services, intensive services, and direct training. Operating grant revenue for 2007 was \$79,390 or 1.59% more than 2006. Operating grant revenue for 2006 was \$77,905 or 1.56% less than 2005.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Governmental Funds

The Consortium completed the fiscal year June 30, 2007, with a total governmental fund balance of \$68,543, \$1,021 more than last year's ending fund balance of \$67,522.

General Fund Budgetary Highlights

Significant differences between original and final amended budget and actual financial results are summarized as follows:

- Federal grant revenue was under budget by \$849,267. The Board approved budget included five quarters of Welfare Reform funding due to the grant period operating on a different cycle than the Consortium's fiscal year. Additionally, the Welfare Reform allocation was cut during the year and the Welfare Reform incentive award was not issued. There was also a reduction of Trade Act funding. The budget included an estimate of Trade Act funding based on historical data.
- Overall, job training expenditures were under budget by \$927,391. The reduction in expenditures followed the reduction in funding described above.
- The under budget revenue will be carried forward and will be expended over the next program year.

Capital Assets

At the end of the 2007 fiscal year, the Consortium had invested a cumulative of \$373,431 in capital assets, including vehicles and equipment (see Table 3). Supplementary information about capital assets can be found in Note 4, page 19. The Consortium recognized depreciation expense of \$38,020 for governmental activities. Total accumulated depreciation on these assets was \$233,219.

Table 3
Capital Assets

	2007	2006	% Change
Equipment	\$ 198,298	\$ 160,802	23.32%
Vehicles and signs	175,133	115,572	51.54%
Accumulated depreciation	(233,219)	(195,199)	19.48%
Totals	\$ 140,212	\$ 81,175	

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Management's Discussion and Analysis

Factors Bearing on West Central Michigan Employment and Training Consortium's Future

There are a variety of factors concerning the Consortium's future in the next one- to three-year period.

- Michigan Prisoner Re-Entry Initiative (MPRI) - This is a new program for West Central with the Michigan Department of Corrections. It involves an expanded geographic area, which includes West Central's five counties and the four counties covered by Central Area Michigan Works! Consortium, resulting in a nine-county region. Michigan Works! West Central is the fiduciary for this new program. It brings some new funding for a particular group of participants, relationships with a variety of other community resources, such as housing, mental health, and substance abuse, an expanded service area, and a new state department to work with. There is also a separate board for this program called a Steering Team. The program brings additional state funding for the program, unique rules, and many new partnerships, including local Parole Agents. The program has a separate Coordinator.
- WorkKeys/KeyTrain and partnerships with the West Michigan WIRED Initiative and West Shore Community College USDOL Earmark Grant. Both programs promote the use by employers and workers of ACT's WorkKeys product. These partnerships allow additional services to be offered to additional participants to increase the work readiness of the local labor force. KeyTrain, the remediation component, is a very robust tool that allows individuals to raise their basic skill levels in reading, math, and other areas on a self-paced basis. The "ramping up" phase of these two new tools across the West Central region will begin in earnest this coming fiscal year.
- Michigan's Welfare Reform program Work First is changing to Jobs, Education and Training (JET). This calls for more extensive partnerships with the Department of Human Services and Michigan Rehabilitation Services with Michigan Works! West Central and other Michigan Works! agencies to better plan and serve the welfare reform population. There are extensive "bugs" or "changing program" pains to be worked out among the three agencies at the state and local levels.

Contacting the West Central Michigan Employment and Training Consortium's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Paul Griffith, Executive Director, at 110 Elm Street, Big Rapids, Michigan 49307.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Statement of Net Assets

June 30, 2007

Assets:	
Cash	\$ 1,082,880
Grants receivable	6,734
Other receivables	1,590
Prepaid expenses	60,827
Capital assets, net of accumulated depreciation	140,212
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TOTAL ASSETS	\$ 1,292,243
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Liabilities:	
Accounts payable	\$ 532,894
Accrued payroll and related expenses	5,465
Accrued compensated absences	29,343
Unearned revenue	515,786
<hr/>	
Total liabilities	1,083,488
<hr/>	
Net assets:	
Invested in capital assets	140,212
Unrestricted	68,543
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Total net assets	208,755
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TOTAL LIABILITIES AND NET ASSETS	\$ 1,292,243
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See accompanying notes to financial statements.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Job training	\$ 5,007,269	\$ 4,969,249	\$ 97,057	\$ 59,037
Total program activities	5,007,269	4,969,249	97,057	59,037
Support services:				
Corporate activities	8,612	0	0	(8,612)
Total support services	8,612	0	0	(8,612)
Total governmental activities	\$ 5,015,881	\$ 4,969,249	\$ 97,057	\$ 50,425
				General revenue - interest revenue
				\$ 9,633
				Change in net assets
				60,058
				Net assets - June 30, 2006
				148,697
				Net assets - June 30, 2007
				\$ 208,755

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Balance Sheet - Governmental Fund

June 30, 2007

Assets:

Cash	\$ 1,082,880
Grants receivable	6,734
Other receivables	1,590
Prepaid expenses	60,827

TOTAL ASSETS **\$ 1,152,031**

Liabilities:

Accounts payable	\$ 532,894
Accrued payroll and related expenses	5,465
Accrued compensated absences	29,343
Unearned revenue	515,786

Total liabilities 1,083,488

Fund balance - unreserved, undesignated 68,543

TOTAL LIABILITIES AND FUND BALANCE **\$ 1,152,031**

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2007

Total fund balance - governmental funds	<u>\$ 68,543</u>
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Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:

Governmental capital assets	\$ 373,431	
Governmental accumulated depreciation	<u>(233,219)</u>	
		<u>140,212</u>

Total net assets - governmental activities	<u><u>\$ 208,755</u></u>
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West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Statement of Revenue, Expenditures, and Changes in Fund Balance - All Governmental Fund Types Year Ended June 30, 2007

Revenue:	
Federal grants	\$ 4,681,912
State grants	291,647
Interest revenue	9,633
Other revenue	92,747
<hr/>	
Total revenue	5,075,939
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Expenditures:	
Personal services	
Administration	349,257
Program	183,836
Supplies	
Administration	18,074
Program	88,144
Other charges and services	
Administration	121,889
Program	2,905,402
Participant/supportive services	1,209,899
Other	92,748
Capital outlays	97,057
Corporate expenditures	8,612
<hr/>	
Total expenditures	5,074,918
<hr/>	
Excess of revenue over expenditures	1,021
Fund balance - June 30, 2006	67,522
<hr/>	
Fund balance - June 30, 2007	\$ 68,543
<hr/>	

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 1,021

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

The acquisition of capital assets are reported in the governmental funds as
expenditures. However, for governmental activities, those costs are shown
in the statement of net assets and allocated over their estimated useful lives
as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 97,057
Depreciation expense reported in the statement of activities	<u>(38,020)</u>

Amount by which capital outlays are more than depreciation in the
current period 59,037

Change in net assets - governmental activities \$ 60,058

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

West Central Michigan Employment and Training Consortium (the "Consortium"), which is a local governmental administrative entity, was organized under the Michigan Department of Labor Instruction Letter No. 84-8 pursuant to Section 103(b)(1) of the Job Training Partnership Act, PL 97-300 of 1982, as the grant recipient and the administrative entity for the Service Delivery Area, which covers the counties and cities below. The Consortium was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in Lake, Mason, Mecosta, Newaygo, and Osceola counties in Michigan. The Consortium is primarily supported through federal and state government grants. Approximately 98% of the total funding is federal pass-through funds received from the Michigan Department of Labor and Economic Growth.

The financial statements of the Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements in the preparation of their government-wide statements. The significant accounting principles and policies utilized by the Consortium are described below.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) present financial information about the Consortium's nonfiduciary activities as a whole. Governmental activities generally are financed through intergovernmental revenue and other nonexchange transactions.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue consists of grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all interest income, is presented as general revenue.

The Consortium applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function is included in the direct expenses of the function.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

The accounts of the Consortium are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained, consistent with legal and managerial requirements.

The Consortium reports the following major governmental fund:

General Fund

This is the Consortium's primary operating funds. It accounts for all financial activity, including activities associated with providing job training and other social service programs.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Consortium gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Consortium considers all revenue reported in the governmental funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Measurement Focus and Basis of Accounting (Continued)

Unearned revenue is reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Consortium before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received. Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Equipment	\$5,000	Straight line	3
Vehicles and signs	\$5,000	Straight line	5

Federal and State Grant Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as unearned revenue.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all the Consortium's programs that cannot be readily identified with a final cost objective.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Income Taxes

The Consortium is a consortium of governments organized under Michigan Public Act 7 of 1967 and is exempt from federal and Michigan income taxes.

Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States for the general fund. The budget document presents information by fund, activity, and line items. The Consortium's Board approves the original budget at the beginning of the fiscal year. Amendments, if any, are approved periodically during the year.

Vested Compensation Absences and Payable

Using the criteria established in GASB Statement 16, a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

The Consortium's personnel policy states that accumulated vacation is to be used within one year of the date that it is credited to the employee; therefore, the entire balance of \$29,343 in accrued compensated absences is considered a short-term liability and has accordingly been reported on the statement of net assets of the Consortium at June 30, 2007.

Note 2 **Cash**

The Consortium maintains cash balances at local banks in interest-bearing and non-interest-bearing accounts. The Consortium does not have a formal policy that limits its exposure to fair value losses arising from increasing interest rates. As of June 30, 2007, the bank balance was \$1,134,144 and the carrying amount was \$1,082,880. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 are not collaterally secured by the banks. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Consortium will not be able to recover deposits that are in the possession of an outside party. As of June 30, 2007, the Consortium had a total custodial credit risk of \$944,763 on its deposits. At various times during the year the Consortium's deposits may have been higher or lower than the balance as of June 30, 2007. This means that the Consortium's custodial credit risk could have been higher or lower at those times.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 3 Grants Receivable

Grants receivable at June 30, 2007, consisted of the following:

Grant	Amount
Temporary Assistance for Needy Families - Work First	\$ 91
21 st Century Workforce	2,512
Michigan Prisoner Re-Entry Initiative	4,131
Total	\$ 6,734

Note 4 Capital Assets

Capital asset balances and activity for the year ended June 30, 2007, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 160,802	\$ 37,496	\$ 0	\$ 198,298
Vehicles and signs	115,572	59,561	0	175,133
Total capital assets being depreciated	276,374	97,057	0	373,431
Less accumulated depreciation for:				
Equipment	(136,899)	(13,033)	0	(149,932)
Vehicles and signs	(58,300)	(24,987)	0	(83,287)
Total accumulated depreciation	(195,199)	(38,020)	0	(233,219)
Governmental activities capital assets, net of accumulated depreciation	\$ 81,175	\$ 59,037	\$ 0	\$ 140,212

Depreciation expense of \$38,020 has been allocated to job training function.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Notes to Financial Statements

Note 5 **Operating Leases**

The Consortium has various operating lease rental agreements for each of the offices of the Consortium. Payments on agreements during the year ended June 30, 2007, were \$343,260. The leases are cancelable in the event of a loss of funding to the Consortium. Future minimum lease payments on leases having funding contingencies beyond June 30, 2007, are as follows:

2008	\$ 343,260
2009	289,376
2010	167,172
2011	70,560
2012	70,560
Thereafter	88,200
Total	\$ 1,029,128

The Consortium subleases facilities under operating leases. The operating lease revenue for the year ended June 30, 2007, was \$85,865. Future minimum lease receipts on subleases of \$7,413 are expected for the year ended June 30, 2008.

Note 6 **Pension Plan**

All employees of the Consortium, except leased employees and interns hired after December 16, 1986, are eligible to participate in a defined contribution money-purchase plan after completing one year of service. The Consortium contributes a percentage of covered wages to the plan. The 2006/2007 fiscal year required contributions of \$16,747, charged to the year ended June 30, 2007, are 7% of current year covered payroll. During the year, one participant retired from the Consortium. The participant elected not to receive any retirement benefits during the year.

Note 7 **Risk Management**

The Consortium is exposed to various risks of loss including general liability, property damage, employee dishonesty, and workers' compensation for which the Consortium carries commercial insurance. There have not been any claims in any of the three prior years.

Additional Information

West Central Michigan Employment and Training Consortium

(d/b/a "Michigan Works! West Central")

Schedule A-1

Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2007

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE				
FEDERAL FUNDS (Pass-Through Dollars)				
Department of Agriculture				
10.561	Food Stamp Program	Michigan Department of Labor & Economic Growth	\$ 43,469	\$ 30,748
Department of Labor				
17.207	Employment Service	Michigan Department of Labor & Economic Growth	238,869	173,925
17.225	Unemployment Insurance - Reed Act	Michigan Department of Labor & Economic Growth	31,043	16,043
17.245	Trade Adjustment Assistance	Michigan Department of Labor & Economic Growth	110,869	108,875
17.258	WIA Adult	Michigan Department of Labor & Economic Growth	879,326	763,117
17.258	WIA Statewide Youth - Adult	Michigan Department of Labor & Economic Growth	3,468	21,241
17.258	WIA Statewide Performance Incentive - Adult	Michigan Department of Labor & Economic Growth	6,119	0
17.258	WIA Statewide One Stop Operation	Michigan Department of Labor & Economic Growth	13,524	0
17.258	WIA Statewide Capacity Building - Adult	Michigan Department of Labor & Economic Growth	18,490	0
17.258	WIA Adult Administration	Michigan Department of Labor & Economic Growth	74,028	0
	Subtotal 17.258		994,955	784,358
17.259	WIA Youth	Michigan Department of Labor & Economic Growth	640,430	549,157
17.259	WIA Statewide Youth - Youth	Michigan Department of Labor & Economic Growth	3,766	23,069
17.259	WIA Statewide Performance Incentive - Youth	Michigan Department of Labor & Economic Growth	6,767	0
17.259	WIA Statewide One Stop Operation	Michigan Department of Labor & Economic Growth	14,688	0
17.259	WIA Statewide Capacity Building - Youth	Michigan Department of Labor & Economic Growth	20,081	0
17.259	WIA Youth Administration	Michigan Department of Labor & Economic Growth	82,136	0
	Subtotal 17.259		767,868	572,226
17.260	WIA Dislocated Worker	Michigan Department of Labor & Economic Growth	981,253	909,132
17.260	WIA Statewide Youth - Dislocated Worker	Michigan Department of Labor & Economic Growth	6,269	38,404
17.260	WIA Statewide Performance Incentive - Dislocated Worker	Michigan Department of Labor & Economic Growth	10,100	0
17.260	WIA Statewide Incumbent Worker - Dislocated Worker	Michigan Department of Labor & Economic Growth	42,630	0
17.260	WIA Statewide One Stop Operation	Michigan Department of Labor & Economic Growth	24,452	0
17.260	WIA Statewide Capacity Building - Dislocated Worker	Michigan Department of Labor & Economic Growth	33,430	0
17.260	WIA Rapid Response - 21 Century Workforce	Michigan Department of Labor & Economic Growth	6,812	0
17.260	WIA Dislocated Worker Administration	Michigan Department of Labor & Economic Growth	123,368	0
	Subtotal 17.260		1,228,314	947,536
	Subtotal 17.258, 17.259, and 17.260 Cluster		2,991,137	2,304,120
17.266	Work Incentive Disability Navigator	Michigan Department of Labor & Economic Growth	6,282	3,598
Department of Health and Human Services:				
93.558	Temporary Assistance for Needy Families - Work First	Michigan Department of Labor & Economic Growth	1,260,245	982,090
	Total Federal Assistance		4,681,914	3,619,399

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule A-2

Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2007

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
NONFEDERAL PROGRAMS				
N/A	Michigan Prisoner Re-entry Initiative	Michigan Council on Crime and Delinquency	12,741	
N/A	Incumbent Worker - Matching Funds	N/A	92,745	
N/A	GF/GP State	Michigan Department of Labor & Economic Growth	278,906	
	Subtotal Nonfederal Programs		<u>384,392</u>	
DISCRETIONARY ACTIVITY				
	Corporate expenses	N/A	<u>8,612</u>	
	TOTALS		<u>\$ 5,074,918</u>	<u>\$ 3,619,399</u>

Note to Schedule of Expenditures of Federal Awards and Other Financial Assistance

This schedule includes the grant activity of West Central Michigan Employment and Training Consortium and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The programs listed above do not have program numbers. Each program is identified by their program name.

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule B

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2007

	Budget Original	Budget Final	Actual	Amount Over (Under) Budget
Revenue:				
Federal grants	\$ 3,940,595	\$ 5,531,179	\$ 4,681,912	(\$ 849,267)
State grants	319,036	336,985	291,647	(45,338)
Interest revenue	0	0	9,633	9,633
Other revenue	0	134,145	92,747	(41,398)
Total revenue	4,259,631	6,002,309	5,075,939	(926,370)
Expenditures:				
Personal services:				
Administration	293,647	413,783	349,257	(64,526)
Program	154,565	217,800	183,836	(33,964)
Supplies:				
Administration	15,196	21,413	18,074	(3,339)
Program	74,109	104,428	88,144	(16,284)
Other charges and services:				
Administration	102,482	144,409	121,889	(22,520)
Program	2,442,795	3,442,178	2,905,402	(536,776)
Participant/support services	1,017,255	1,433,429	1,209,899	(223,530)
Other	77,978	109,880	92,748	(17,132)
Capital outlays	81,604	114,989	97,057	(17,932)
Corporate expenditures	0	0	8,612	8,612
Total expenditures	4,259,631	6,002,309	5,074,918	(927,391)
Excess of revenue over expenditures	0	0	1,021	1,021
Fund balance - June 30, 2006	67,522	67,522	67,522	67,522
Fund balance - June 30, 2007	\$ 67,522	\$ 67,522	\$ 68,543	\$ 68,543



Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

We have audited the financial statements of the governmental activities and the major fund of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 West Central Michigan Employment and Training Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Central Michigan Employment and Training Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Central Michigan Employment and Training Consortium's internal control over financial reporting.

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 a combination of control deficiencies, that adversely affects West Central Michigan Employment and Training Consortium's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of West Central Michigan Employment and Training Consortium's financial statements that is more than inconsequential will not be prevented or detected by West Central Michigan Employment and Training Consortium'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 presented or detected by West Central Michigan Employment and Training Consortium's internal control.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within West Central Michigan Employment and Training Consortium, federal and state 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 that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 20, 2007
Madison, Wisconsin



Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
West Central Michigan Employment and Training Consortium
Big Rapids, Michigan

Compliance

We have audited the compliance of West Central Michigan Employment and Training Consortium (d/b/a “Michigan Works! West Central”) 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. West Central Michigan Employment and Training Consortium’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Central Michigan Employment and Training Consortium’s management. Our responsibility is to express an opinion on West Central Michigan Employment and Training Consortium’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 West Central Michigan Employment and Training Consortium’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Central Michigan Employment and Training Consortium’s compliance with those requirements.

As described in item 063107-01 in the accompanying schedule of findings and questioned costs, West Central Michigan Employment and Training Consortium did not comply with requirements regarding cash management that are applicable to its Workforce Investment Act (WIA) program. Compliance with such requirements is necessary, in our opinion, for West Central Michigan Employment and Training Consortium to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, West Central Michigan Employment and Training Consortium 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.

Internal Control Over Compliance

The management of West Central Michigan Employment and Training Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 West Central Michigan Employment and Training Consortium internal control over compliance.

Our consideration of the 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency and material weakness.

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 federal and state programs on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to administer federal and state programs 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 item 063107-01 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 federal and state programs 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 item 123106-01 to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, others within West Central Michigan Employment and Training Consortium, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wipfli LLP

November 20, 2007
Madison, Wisconsin

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of West Central Michigan Employment and Training Consortium.
2. No significant deficiencies relating to the audit of the financial statements reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instance of noncompliance material to the financial statements of West Central Michigan Employment and Training Consortium were disclosed during the audit.
4. There was one significant deficiency disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133, which was considered to be a material weakness.
5. The auditor's report on compliance for the major federal award program for West Central Michigan Employment and Training Consortium expresses a qualified opinion.
6. There was one audit finding relative to the major federal award programs for West Central Michigan Employment and Training Consortium.
7. The programs tested as major programs were the Workforce Investment Act Cluster of CFDA #17.258, #17.259, and #17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. West Central Michigan Employment and Training Consortium was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central")

Schedule of Findings and Questioned Costs

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Finding: CASH MANAGEMENT (063107-01)

DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - ADULT, CFDA # 17.258
DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - YOUTH, CFDA# 17.259
DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - DISLOCATED WORKER,
CFDA# 17.260

Grant Numbers: N/A
(Grant Period: July 1, 2006, to June 30, 2007)

Condition

During the audit, Wipfli LLP noted that West Central Employment and Training Consortium requested and received funds from the Michigan Department of Labor and Economic Growth for the Workforce Investment Act programs in significant excess of costs incurred. The Workforce Investment Act programs are cost reimbursement programs whereby funds are to be requested based on actual expenditures incurred. West Central Employment and Training Consortium made the decision to draw down the majority of its available cash in order to avert the possible shutting down of its service centers and the possible layoff of service provider and administrative staff.

Criteria

Administrative regulations for the Department of Labor, Title 29, Sec. 95.22 (a), states payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of state agencies or instrumentalities shall be consistent with Treasury-State CMLA agreements or default procedures codified at 31 CFR Part 205.

Effect

By requesting and receiving funds in significant excess of costs incurred, West Central Employment and Training Consortium is not in compliance with the cash management requirements of the Workforce Investment Act programs. We consider this noncompliance to be a significant deficiency that is a material weakness.

Recommendation

Due to some uncertainty and cash flow issues at the Michigan state government level, management made the decision to request funds in excess of costs incurred to ensure continued cash flow. In the future, given the fact West Central Employment and Training Consortium is not allowed to incur interest expense from a line of credit or loan as an allowable expenditure, we recommend they consult with vendors and service providers to see if they are willing to accept delayed payment without penalty.



COPY

JAMES PINKERTON
Chairperson, Local Elected Officials
SHERI THOMPSON
Chairperson, Workforce Development Board
PAUL J. GRIFFITH
Executive Director

WEST CENTRAL MICHIGAN
EMPLOYMENT & TRAINING CONSORTIUM
dba, MICHIGAN WORKS! WEST CENTRAL
Big Rapids, Michigan

AUDITEE'S RESPONSE TO
CURRENT YEAR FINDINGS

For the Year Ended June 30, 2007

Finding: CASH MANAGEMENT (063107-01)

DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - ADULT, CFDA # 17.258
DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - YOUTH, CFDA# 17.259
DEPARTMENT OF LABOR, WORKFORCE INVESTMENT ACT - DISLOCATED WORKER, CFDA#
17.260

Grant Numbers: N/A
(Grant Period: July 1, 2006, to June 30, 2007)

Condition

During the audit, Wipfli LLP noted that West Central Employment and Training Consortium requested and received funds from the Michigan Department of Labor and Economic Growth for the Workforce Investment Act programs in significant excess of costs incurred. The Workforce Investment Act programs are cost reimbursement programs whereby funds are to be requested based on actual expenditures incurred. West Central Employment and Training Consortium made the decision to draw down the majority of its available cash in order to avert the possible shutting down of its service centers and the possible layoff of service provider and administrative staff.

Criteria

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Effect

By requesting and receiving funds in significant excess of costs incurred, West Central Employment and Training Consortium is not in compliance with the cash management requirements of the Workforce Investment Act programs. We consider this noncompliance to be a significant deficiency that is a material weakness.

Our Mission: "To continually improve a Workforce Development System that produces a workforce with the required skills to attract, retain and expand business and enhance our regional economy."

www.michworkswc.org
231.796.8316
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Big Rapids, Michigan 49307
110 Elm Street

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Recommendation

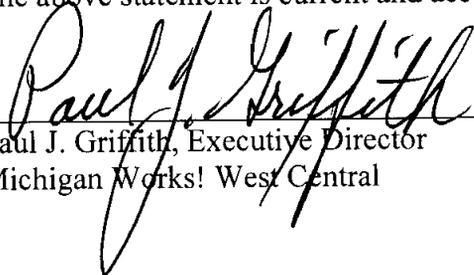
Due to some uncertainty and cash flow issues at the Michigan state government level, management made the decision to request funds in excess of costs incurred to ensure continued cash flow. In the future, given the fact West Central Employment and Training Consortium is not allowed to incur interest expense from a line of credit or loan as an allowable expenditure, we recommend they consult with vendors and service providers to see if they are willing to accept delayed payment without penalty.

Correction Action Plan

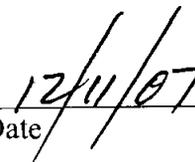
This is the first time in the Consortium's twenty five year history that this type of crisis has occurred forcing management to make the decision to either draw down funds in excess of immediate need or risk shutting down it's five Service Centers, Administrative Office, lay-off staff and cut services to all customers, while State Government sorted out their cash crisis issues.

In the future the Consortium will consult with vendors and service providers to see if they are willing to accept delayed payment without penalty as recommended by the auditing firm.

The above statement is current and accurate.



Paul J. Griffith, Executive Director
Michigan Works! West Central



Date



COPY

JAMES PINKERTON
Chairperson, Local Elected Officials
SHERI THOMPSON
Chairperson, Workforce Development Board
PAUL J. GRIFFITH
Executive Director

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110 Elm Street

WEST CENTRAL MICHIGAN
EMPLOYMENT & TRAINING CONSORTIUM
dba, MICHIGAN WORKS! WEST CENTRAL
Big Rapids, Michigan

AUDITEE'S RESPONSE TO
PRIOR YEAR FINDINGS

For the Year Ended June 30, 2006

There were no prior year findings.

The above statement is current and accurate.

Handwritten signature of Paul J. Griffith over a horizontal line.

Paul J. Griffith, Executive Director
Michigan Works! West Central

Handwritten date 12/11/07 over a horizontal line.

Date

Our Mission: "To continually improve a Workforce Development System that produces a workforce with the required skills to attract, retain and expand business and enhance our regional economy."

Programs Funded by the MI Dept. of Labor & Economic Growth/Equal Opportunity Employers/Programs
MI Relay Center • 800-649-3777 (Voice and TTY)
Auxiliary aids and services are available upon request to individuals with disabilities.