

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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Beta Bialy</i>		Printed Name		License Number

Downriver Community Conference
(a local government consortium)

Financial Report
with Supplemental Information
September 30, 2007

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference (DCC) (a local government consortium) as of and for the year ended September 30, 2007, which collectively comprise Downriver Community Conference's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Community Conference'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, business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of September 30, 2007 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Downriver Community Conference

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2008 on our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 opinions 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.

Plante & Moran, PLLC

January 23, 2008

Downriver Community Conference

Management's Discussion and Analysis

Our discussion and analysis of Downriver Community Conference's (DCC) financial performance provides an overview of DCC's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with DCC's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended September 30, 2007:

- DCC partnered with the Conference of Western Wayne to explore opportunities for resource sharing and joint purchasing to save communities money. The group will review options for long-term and short-term disability, life insurance, dental, and vision. DCC plans to continue similar projects.
- Downriver Community Conference was awarded a \$75,000 grant from the Community Foundation for Southeastern Michigan to assist with the construction of the north/south path along Jefferson from Gibraltar to Elizabeth Park. This will continue throughout the 2007-2008 year.
- The employment and training department continues to search for supplemental funding to its existing grants. A new program, No Worker Left Behind, was implemented in July 2007. DCC has seen a huge influx of customers for this new program.
- The Job Access Reverse Commute (JARC) grant has been re-funded. DCC was awarded \$731,250 to provide transportation services for 18 months.
- Through The Senior Alliance (TSA), DCC received \$45,000 to provide transportation services to senior citizens. DCC was awarded another \$50,000 through the TSA to continue these services for the 2007-2008 year.
- The weatherization department received \$500,000 to assist low-income residents with heating bills. Assistance for heating bills ranged from \$50 to \$950. DCC will again receive \$500,000 for the 2007-2008 fiscal year for low-income energy assistance.
- The Downriver Area Brownfield Consortium (DABC), through DCC, was awarded a \$2.5 million EPA revolving loan fund to provide loans for cleanup activities at sites contaminated with hazardous substances. This will be an ongoing project for the downriver region over the next several years.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the members' assessments and grant monies were spent during the year, as well as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

DCC as a Whole

The following table shows, in a condensed format, the net assets (deficit) as of September 30, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 745,106	\$ 920,981	\$ (186,085)	\$ (203,792)	\$ 559,021	\$ 717,189
Noncurrent assets	<u>1,743,851</u>	<u>2,027,999</u>	<u>-</u>	<u>-</u>	<u>1,743,851</u>	<u>2,027,999</u>
Total assets	2,488,957	2,948,980	(186,085)	(203,792)	2,302,872	2,745,188
Liabilities						
Current liabilities	2,152,661	980,475	-	-	2,152,661	980,475
Long-term liabilities	<u>-</u>	<u>1,660,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,332</u>
Total liabilities	<u>2,152,661</u>	<u>2,640,807</u>	<u>-</u>	<u>-</u>	<u>2,152,661</u>	<u>2,640,807</u>
Net Assets (Deficit)						
Invested in capital assets - Net of related debt	5,606	(16,644)	-	-	5,606	(16,644)
Restricted	75,000	219,082	-	-	75,000	219,082
Unrestricted (deficit)	<u>255,690</u>	<u>105,735</u>	<u>(186,085)</u>	<u>(203,792)</u>	<u>69,605</u>	<u>(98,057)</u>
Total net assets (deficit)	<u>\$ 336,296</u>	<u>\$ 308,173</u>	<u>\$ (186,085)</u>	<u>\$ (203,792)</u>	<u>\$ 150,211</u>	<u>\$ 104,381</u>

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's combined net assets for both governmental and business-type activities totaled \$150,211 for fiscal year 2007. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$80,000. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total approximately \$70,000.

The following table shows the changes in net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 123,900	\$ 246,690	\$ 499,600	\$ 475,575	\$ 623,500	\$ 722,265
Operating grants and contributions	7,123,215	7,269,218	-	-	7,123,215	7,269,218
General revenue -						
Unrestricted investment earnings and other	-	-	8,564	8,502	8,564	8,502
Total revenue	7,247,115	7,515,908	508,164	484,077	7,755,279	7,999,985
Program Expenses						
General government	367,611	364,510	-	-	367,611	364,510
Employment and training	5,025,415	4,793,705	-	-	5,025,415	4,793,705
Economic development	496,339	748,070	-	-	496,339	748,070
Weatherization	1,067,760	1,184,553	-	-	1,067,760	1,184,553
Transportation	261,867	391,660	-	-	261,867	391,660
Buildings and equipment	-	-	490,457	466,624	490,457	466,624
Total program expenses	7,218,992	7,482,498	490,457	466,624	7,709,449	7,949,122
Change in Net Assets	\$ 28,123	\$ 33,410	\$ 17,707	\$ 17,453	\$ 45,830	\$ 50,863

Governmental Activities

Governmental activities are those activities (such as employment and training or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$7.2 million for the fiscal year ended September 30, 2007. Since the majority of the programs provided by DCC are financed through grants, revenue recorded was within 1 percent of expenditures.

Business-type Activities

DCC's business-type activities consist of renting vacant space within its building to third parties. Rental and maintenance fees are charges to the third parties.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's Funds

Our analysis of DCC's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DCC's major funds for 2007 include the General Fund, Employment and Training Fund, Economic Development Fund, Weatherization Fund, and Transportation Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$224,000 in 2007 and \$238,000 in 2006.

General Fund Budgetary Highlights

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall stayed below budget, resulting in total expenditures in the General Fund to be approximately \$17,000 below budget, while total revenue in the General Fund was approximately \$3,000 above budget. This allowed the General Fund's fund balance to increase from approximately \$143,000 a year ago to approximately \$157,000 at September 30, 2007.

Capital Assets and Debt Administration

At the end of 2007, DCC had \$1.6 million invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC.

Contacting DCC's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and to show DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Community Conference

Statement of Net Assets (Deficit) September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 5,720	\$ -	\$ 5,720
Internal balances	186,085	(186,085)	-
Due from other governmental units	545,684	-	545,684
Prepaid expenses and other assets	7,617	-	7,617
Restricted assets (Note 8)	75,000	-	75,000
Capital assets not being depreciated (Note 4)	388,000	-	388,000
Capital assets being depreciated - Net (Note 4)	1,280,851	-	1,280,851
Total assets	2,488,957	(186,085)	2,302,872
Liabilities			
Accrued liabilities	433,764	-	433,764
Security deposits	35,631	-	35,631
Deferred revenue (Note 5)	20,021	-	20,021
Noncurrent liabilities - Due within one year (Note 7)	1,663,245	-	1,663,245
Total liabilities	2,152,661	-	2,152,661
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	5,606	-	5,606
Restricted for capital projects and maintenance	75,000	-	75,000
Unrestricted	255,690	(186,085)	69,605
Total net assets (deficit)	<u>\$ 336,296</u>	<u>\$ (186,085)</u>	<u>\$ 150,211</u>

Downriver Community Conference

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General	\$ 367,611	\$ 102,285	\$ 308,939
Employment and training	5,025,415	-	5,017,190
Economic development	496,339	1,328	470,476
Weatherization	1,067,760	-	1,087,810
Transportation	261,867	20,287	238,800
Total governmental activities	7,218,992	123,900	7,123,215
Business-type activities - Building and equipment	490,457	499,600	-
Total primary government	<u>\$ 7,709,449</u>	<u>\$ 623,500</u>	<u>\$ 7,123,215</u>

General revenues - Unrestricted investment earnings

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

Statement of Activities
Year Ended September 30, 2007

Net (Expense) Revenue and Changes in		
Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 43,613	\$ -	\$ 43,613
(8,225)	-	(8,225)
(24,535)	-	(24,535)
20,050	-	20,050
(2,780)	-	(2,780)
28,123	-	28,123
-	9,143	9,143
28,123	9,143	37,266
-	8,564	8,564
28,123	17,707	45,830
308,173	(203,792)	104,381
<u>\$ 336,296</u>	<u>\$ (186,085)</u>	<u>\$ 150,211</u>

Downriver Community Conference

Governmental Funds Balance Sheet September 30, 2007

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weatheri- zation Fund	Transpor- tation Fund	
Assets						
Cash and cash equivalents (Note 3)	\$ 229,490	\$ -	\$ -	\$ 13,472	\$ -	\$ 242,962
Due from other governmental units	26,869	198,564	236,841	54,027	21,036	537,337
Prepaid expenses and other assets	2,036	4,498	330	83	335	7,282
Total assets	\$ 258,395	\$ 203,062	\$ 237,171	\$ 67,582	\$ 21,371	\$ 787,581
Liabilities and Fund Balances (Deficit)						
Liabilities						
Bank overdraft	\$ -	\$ 90,988	\$ 108,720	\$ -	\$ 6,053	\$ 205,761
Accrued liabilities	95,079	108,891	133,635	67,582	5,316	410,503
Deferred revenue (Note 5)	6,807	8,528	192,148	-	12,179	219,662
Total liabilities	101,886	208,407	434,503	67,582	23,548	835,926
Fund Balances (Deficit) - Unreserved and undesignated, reported in						
General Fund	156,509	-	-	-	-	156,509
Special Revenue Funds	-	(5,345)	(197,332)	-	(2,177)	(204,854)
Total fund balances (deficit)	156,509	(5,345)	(197,332)	-	(2,177)	(48,345)
Total liabilities and fund balances (deficit)	\$ 258,395	\$ 203,062	\$ 237,171	\$ 67,582	\$ 21,371	\$ 787,581
Fund Balance (Deficit) - Total Governmental Funds						\$ (48,345)
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						185,000
Grant receivables not received within 60 days of year end are not available to pay for current year expenditures						199,641
Net Assets - Governmental Activities						\$ 336,296

Downriver Community Conference

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2007

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	
Revenue						
Federal grants	\$ -	\$ 3,314,955	\$ 396,591	\$ 407,216	\$ 361,557	\$ 4,480,319
State and local grants	190,567	1,713,251	56,892	728,707	43,597	2,733,014
Membership assessments	92,625	-	-	-	-	92,625
Charges for services	9,593	-	1,328	-	20,287	31,208
Contributions	20,711	-	2,591	-	-	23,302
Other	92,692	-	3,293	-	-	95,985
Total revenue	406,188	5,028,206	460,695	1,135,923	425,441	7,456,453
Expenditures						
Wages	23,211	2,778,180	112,498	138,671	143,815	3,196,375
Fringe benefits	4,925	841,223	28,835	22,202	50,254	947,439
Contracted services	195,757	107,425	102,219	323,520	-	728,921
Building rent and maintenance	30,657	646,756	20,484	27,345	26,013	751,255
Professional fees	25,605	210,625	180,806	11,756	9,509	438,301
Capital outlay	2,853	77,096	427	33,785	2,019	116,180
Other	77,661	355,886	50,184	532,456	30,790	1,046,977
Total expenditures	360,669	5,017,191	495,453	1,089,735	262,400	7,225,448
Excess of Revenue Over (Under) Expenditures	45,519	11,015	(34,758)	46,188	163,041	231,005
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	-	26,805	1,926	3,345	32,076
Transfers out (Note 6)	(32,076)	-	-	-	-	(32,076)
Total other financing sources (uses)	(32,076)	-	26,805	1,926	3,345	-
Net Change in Fund Balances	13,443	11,015	(7,953)	48,114	166,386	231,005
Fund Balances (Deficit) -						
Beginning of year	143,066	(16,360)	(189,379)	(48,114)	(168,563)	(279,350)
Fund Balances (Deficit) - End of year	\$ 156,509	\$ (5,345)	\$ (197,332)	\$ -	\$ (2,177)	\$ (48,345)

Downriver Community Conference

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 231,005
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	6,456
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	<u>(209,338)</u>
Change in Net Assets of Governmental Activities	<u>\$ 28,123</u>

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Net Deficit September 30, 2007

Assets

Current assets:

Prepaid expenses and other assets	\$	335
Due from other governmental units		<u>8,347</u>
Total current assets		8,682

Noncurrent assets:

Restricted assets (Note 8)		75,000
Capital assets not being depreciated (Note 4)		388,000
Capital assets being depreciated - Net (Note 4)		<u>1,095,851</u>
Total noncurrent assets		<u>1,558,851</u>

Total assets 1,567,533

Liabilities - Current

Bank overdraft		31,481
Accrued and other liabilities		23,261
Security deposits		35,631
Current portion of note payable (Note 7)		<u>1,663,245</u>
Total current liabilities		<u>1,753,618</u>

Net Assets (Deficit)

Invested in capital assets - Net of related debt		(179,394)
Restricted for capital projects and debt		75,000
Unrestricted		<u>(81,691)</u>

Total net deficit \$ (186,085)

Internal Service Fund net deficit allocable to business-type activities \$ (186,085)

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Revenue, Expenses, and Changes in Net Deficit Year Ended September 30, 2007

Operating Revenue	
Maintenance fees	\$ 672,254
Rent	<u>422,455</u>
Total operating revenue	1,094,709
Operating Expenses	
Wages	271,351
Fringe benefits	96,289
Professional fees	43,440
Maintenance and repairs	133,183
Depreciation	184,161
Other	<u>244,920</u>
Total operating expenses	<u>973,344</u>
Operating Income	121,365
Nonoperating Revenue (Expense)	
Investment income	8,564
Interest expense	<u>(112,222)</u>
Total nonoperating expense	<u>(103,658)</u>
Change in Net Deficit	17,707
Net Deficit - Beginning of year	<u>(203,792)</u>
Net Deficit - End of year	<u><u>\$ (186,085)</u></u>

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Cash Flows Year Ended September 30, 2007

Cash Flows from Operating Activities	
Receipts from customers	\$ 1,115,649
Payments to suppliers	(417,361)
Payments to employees	<u>(367,640)</u>
Net cash provided by operating activities	330,648
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(37,639)
Principal and interest paid on capital debt	<u>(274,538)</u>
Net cash used in capital and related financing activities	(312,177)
Cash Flows from Noncapital Financing Activities - Decrease in bank overdraft	(171,117)
Cash Flows from Investing Activities - Interest income received	<u>8,564</u>
Net Decrease in Cash and Cash Equivalents	(144,082)
Cash and Cash Equivalents - Beginning of year	<u>219,082</u>
Cash and Cash Equivalents - End of year	<u>\$ 75,000</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ -
Restricted assets	<u>75,000</u>
Total cash and cash equivalents	<u>\$ 75,000</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 121,365
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	184,161
Changes in assets and liabilities:	
Prepaid expenses and other assets	(122)
Due from other governmental units	21,062
Accrued and other liabilities	<u>4,182</u>
Net cash provided by operating activities	<u>\$ 330,648</u>

There was no noncash activity for the year ended September 30, 2007.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of Downriver Community Conference (DCC) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Reporting Entity

DCC is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 20 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the activities of DCC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by member assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on rental fees for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 revenue.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, as is the proprietary fund. Revenue is 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DCC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DCC reports the following major governmental funds:

General Fund - The General Fund is DCC's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Employment and Training Special Reserve Fund - The Employment and Training Special Revenue Fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include Work First and Reed Act programs, Workforce Investment Act programs, Employment Service programs, and other smaller miscellaneous training grants.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Economic Development Special Reserve Fund - The Economic Development Special Revenue Fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include Department of Defense programs and specific economic development programs associated with local downriver companies.

Weatherization Special Reserve Fund - The Weatherization Special Revenue Fund accounts for the revenue and expenditures of federal and state grant programs. These programs include Department of Energy, Low Income Housing Energy Assistance Programs, Weatherization Assistance programs, and Client Education programs.

Transportation Special Reserve Fund - The Transportation Special Revenue Fund accounts for the revenue and expenditures of federal, state, and local grant programs. These programs include the Job Access Reverse Commute program, Taylor transportation services, Dearborn Heights transportation services, SMART specialized services, and homeless coalition services.

Additionally, DCC reports the following fund type:

Internal Service Fund - Building and Equipment Fund - The Building and Equipment Internal Service Fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs as well as outside tenants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. DCC has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DCC's policy is to first apply restricted resources.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets - Capital assets, which include buildings, improvements, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund and \$500 for the governmental funds and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings and equipment, including vehicles, are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5-20 years
Furniture and equipment	3-5 years

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit).

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Federal Income Taxes - DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

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

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DCC has accumulated fund deficits in the following individual funds: Employment and Training Fund of \$5,345, Economic Development Fund of \$197,332, and Transportation Fund of \$2,177. Each of these deficits is mainly a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DCC is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2007**

Note 3 - Deposits and Investments (Continued)

DCC has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

Downriver Community Conference's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, Downriver Community Conference's deposits may not be returned to it. Downriver Community Conference does not have a deposit policy for custodial credit risk. At year end, DCC had \$179,554 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DCC evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC's investment policy does not further limit its investment choices. As of year end, Downriver Community Conference had \$20,132 invested in mutual funds that were unrated.

Downriver Community Conference

Notes to Financial Statements September 30, 2007

Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

	Balance October 1, 2006	Additions	Disposals and Adjustments	Balance September 30, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 388,000	\$ -	\$ -	\$ 388,000
Capital assets being depreciated:				
Buildings and improvements	3,461,924	37,639	-	3,499,563
Furniture and equipment	705,411	86,755	-	792,166
Subtotal	4,167,335	124,394	-	4,291,729
Accumulated depreciation:				
Buildings and improvements	2,219,550	184,161	-	2,403,711
Furniture and equipment	526,868	80,299	-	607,167
Subtotal	2,746,418	264,460	-	3,010,878
Net capital assets being depreciated	1,420,917	(140,066)	-	1,280,851
Net capital assets	<u>\$ 1,808,917</u>	<u>\$ (140,066)</u>	<u>\$ -</u>	<u>\$ 1,668,851</u>

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

Governmental activities:	
General government	\$ 9,089
Employment and training	65,580
Transportation	1,063
Economic development	886
Weatherization	3,681
Internal Service Fund depreciation - Charged to the various functions based on their usage of the asset	<u>184,161</u>
Total governmental activities	<u>\$ 264,460</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2007

Note 5 - Deferred Revenue

Deferred revenue at September 30, 2007 is as follows:

	Advances on Grants	Revenue Not Available to Finance Current Expenditures	Total
Major funds:			
General Fund	\$ 1,771	\$ 5,036	\$ 6,807
Employment and Training Fund	2,785	5,743	8,528
Economic Development Fund	6,857	185,291	192,148
Transportation Fund	8,608	3,571	12,179
Total	<u>\$ 20,021</u>	<u>\$ 199,641</u>	<u>\$ 219,662</u>

Advances on Grants - DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2007 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

Downriver Community Conference

Notes to Financial Statements September 30, 2007

Note 6 - Interfund Transfers

The interfund transfers reported in the fund financial statements are comprised of the following for operating purposes:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Weatherization Fund	\$ 1,926
General Fund	Transportation Fund	3,345
General Fund	Economic Development Fund	26,805
	Total	<u>\$ 32,076</u>

The transfers from the General Fund to the Employment and Training Fund, the Weatherization Fund, and the Economic Development Fund were operating transfers for various purposes.

Note 7 - Long-term Debt

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. This note has a stated interest rate of 6.27 percent and is collateralized by the building and assignment of leases. The balance of the note at September 30, 2007 is \$1,663,245. The note requires monthly principal and interest payments of \$22,878 until May 2, 2008. The balance of the building note is payable May 2, 2008 and is expected to be refinanced by management.

	Interest Rate	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Building note:					
Amount of issue: \$2,300,000					
Maturing through 2008	6.27%	<u>\$ 1,825,561</u>	<u>\$ (162,316)</u>	<u>\$ 1,663,245</u>	<u>\$ 1,663,245</u>

Annual debt service requirements to maturity for the above note are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	<u>\$ 1,663,245</u>	<u>\$ 75,015</u>	<u>\$ 1,738,260</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2007

Note 8 - Restricted Assets

Restricted assets recorded in the Building and Equipment Fund at September 30, 2007 consisted of funds maintained in a separate Building and Equipment Fund bank account. Under an agreement with the bank, DCC must deposit \$3,065 per month into the account in addition to the principal and interest requirements. The first \$75,000 in the account may only be spent on bank-approved building repair, maintenance, and improvements. Any balance over \$75,000 may be used by DCC for general operations. The balance in this account at September 30, 2007 is \$255,242, of which \$75,000 is recorded as restricted.

Note 9 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DCC has purchased commercial insurance for these claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is partially self-insured for these claims. DCC is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2007 was approximately \$36,000. DCC management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations as the grants are needed to cover significant administrative costs.

Note 10 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2007, there were immaterial transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid.

Note 11 - Employee Benefits

Per board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2007, employees' contributions and employer's contributions were approximately \$210,000 and \$100,000, respectively.

Required Supplemental Information

Downriver Community Conference

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 143,066	\$ 143,066	\$ 143,066	\$ -
Resources (Inflows)				
State and local grants	297,491	204,991	190,567	(14,424)
Membership assessments	87,875	92,625	92,625	-
Charges for services	22,850	18,300	9,593	(8,707)
Interest	700	975	-	(975)
Contributions	14,500	21,750	20,711	(1,039)
Other	62,500	63,000	92,692	29,692
Transfers in from other funds	-	1,978	-	(1,978)
Total resources (inflows)	485,916	403,619	406,188	2,569
Expenditures (Outflows)				
Wages	26,348	26,798	23,211	3,587
Fringe benefits	5,975	6,507	4,925	1,582
Contracted services	267,368	199,868	195,757	4,111
Building rent and maintenance	26,400	27,250	30,657	(3,407)
Professional fees	23,625	31,603	25,605	5,998
Capital outlay	3,000	4,500	2,853	1,647
Other	97,725	92,862	77,661	15,201
Transfers to other funds	15,000	20,000	32,076	(12,076)
Total expenditures (outflows)	465,441	409,388	392,745	16,643
Fund Balance - End of year	<u>\$ 163,541</u>	<u>\$ 137,297</u>	<u>\$ 156,509</u>	<u>\$ 19,212</u>

Downriver Community Conference

Note to Required Supplemental Information September 30, 2007

Note - Budgetary Information

The annual budget is prepared by DCC's management and adopted by the board of directors at a functional level. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America other than transfers in/out budgeted as revenue/expenditures rather than other financing sources (uses).

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, those budgets are prepared on a program year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

Excess of Expenditures Over Appropriations in the Budgeted Funds - The General Fund had expenditures greater than budget in building rent and maintenance and transfers to other funds related to expenditures not budgeted for by DCC.

Downriver Community Conference

**Federal Awards
Supplemental Information
September 30, 2007**

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of and for the year ended September 30, 2007, which collectively comprise Downriver Community Conference's basic financial statements, and have issued our report thereon dated January 23, 2008. Those basic financial statements are the responsibility of the management of Downriver Community Conference. Our responsibility was to express opinions on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downriver Community Conference's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 23, 2008

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Downriver Community Conference

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of and for the year ended September 30, 2007, which collectively comprise Downriver Community Conference's basic financial statements, and have issued our report thereon dated January 23, 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 Downriver Community Conference'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 Downriver Community Conference's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Downriver Community Conference'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 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.

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

To the Board of Directors
Downriver Community Conference

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Downriver Community Conference'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 the management of Downriver Community Conference in a separate letter dated January 23, 2008.

This report is intended solely for the information and use of the audit committee, management, 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.

Plante & Moran, PLLC

January 23, 2008

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

To the Board of Directors
Downriver Community Conference

Compliance

We have audited the compliance of Downriver Community Conference with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The major federal programs of Downriver Community Conference 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 Downriver Community Conference's management. Our responsibility is to express an opinion on Downriver Community Conference'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 Downriver Community Conference'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 Downriver Community Conference's compliance with those requirements.

In our opinion, Downriver Community Conference complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that 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 as item 2007-01.

To the Board of Directors
Downriver Community Conference

Internal Control Over Compliance

The management of Downriver Community Conference 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 Downriver Community Conference'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 the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Downriver Community Conference's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Downriver Community Conference's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, 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.

Plante & Moran, PLLC

January 23, 2008

Downriver Community Conference

Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through the Michigan Department of Social Services - Weatherization - LIHEAP 06-07	93.568	06-82032	\$ 45,325
Passed through the Michigan Department of Labor, Bureau of Employment and Training - Passed through the Southeastern Michigan Community Alliance:			
Supportive services	93.558	06-01-002	41,056
Work First	93.561	06-01-002	1,607,665
Work First - Food stamps	93.561	06-01-002	<u>6,215</u>
Total U.S. Department of Health and Human Services			1,700,261
U.S. Department of Energy - Passed through the Michigan Department of Social Services:			
Weatherization 06-07	81.042	06-82032	232,381
Weatherization 07-08	81.042	07-82032	<u>121,070</u>
Total U.S. Department of Energy			353,451
U.S. Department of Labor:			
TAA/NAFTA	17.245	06-01-002	17,424
Passed through the Michigan Department of Labor, Bureau of Employment and Training - Passed through the Southeastern Michigan Community Alliance - WIA Cluster:			
Adult 06-07	17.258	06-01-002	205,607
Adult 07-08	17.258	07-01-002	79,441
Dislocated Worker 06-07	17.260	06-01-002	642,788
Dislocated Worker 07-08	17.260	07-01-002	169,734
Dislocated Worker - Core Services	17.260	06-01-002	41,501
Displaced Homemaker 06-07	17.258	06-01-002	34,849
Youth 06-07	17.259	06-01-002	301,911
Youth 07-08	17.259	07-01-002	<u>85,801</u>
Total passed through the Michigan Department of Labor, Bureau of Employment and Training			1,561,632
Passed through the Michigan Department of Career Development - Passed through the Southeastern Michigan Community Alliance - Reed Act (included as part of the WIA Cluster)	17.260	06-01-002	<u>69,947</u>
Total U.S. Department of Labor			1,649,003

Downriver Community Conference

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/Grant Number	Federal Expenditures
U.S. Department of Defense - Procurement Technical Outreach Grant	12.001	085P7200097	\$ 174,088
U.S. Department of Transportation - Passed through the Federal Transit Administration - Passed through Detroit Employment and Training - Passed through Easy Ride - JARC	20.516	ECRC-DCC0008	199,330
U.S. Environmental Protection Agency:			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF96598401-0	83,099
Brownfield Petroleum Grant	66.818	BF96528801-2	90,966
Brownfield Training Research and Technical Agreements	66.814	BT96598601-0	45,225
EPA Revolving Loan	66.818	BL00E01001-0	<u>21,529</u>
Total U.S. Environmental Protection Agency			<u>240,819</u>
Total federal awards			<u>\$4,316,952</u>

Downriver Community Conference

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,480,319
Less revenue received in the current year related to prior year expenditures	(355,972)
Add revenue not available to finance expenditures of the current period (GASB No. 33)	<u>192,605</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 4,316,952</u>

Downriver Community Conference

Note to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downriver Community Conference (DCC) and is presented on the same basis of accounting as the basic financial statements. 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.

Downriver Community Conference

Schedule of Findings and Questioned Costs Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes ___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.561	Work First
93.561	Work First - Food stamps
17.258, 17.259, and 17.260	WIA Cluster

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

Auditee qualified as low-risk auditee? ___ Yes X No

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2007-01	<p>U.S. Department Health and Human Services - Work First #93.561</p> <p>Pass-through Entity - Michigan Department of Labor, Bureau of Employment and Training passed through the Southeastern Michigan Community Alliance</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Work First grant level of effort requirements include a provision that a 50 percent placement level be obtained, a 50 percent retention rate be obtained, a cost per placement not to exceed \$1,000, a minimum wage of \$6.50/hour per placement, and an average wage of \$8.15/hour per placement be met.</p> <p>Condition - DCC met the level of effort requirements pertaining to average wage per placement and minimum wage per placement; however, DCC did not meet the level of effort requirements pertaining to placement level, retention rate, and average cost per placement for the current fiscal year.</p> <p>Questioned Costs - Unknown</p> <p>Context - The placement and retention level for the 2006-2007 program year for DCC was less than 50 percent and the cost per placement exceeded \$1,000 per placement.</p> <p>Cause and Effect - DCC did not meet the program goals for placement level, retention rate, and average cost per placement for the 2006-2007 program year, resulting in noncompliance with the grant agreement.</p> <p>Recommendation - DCC should continue efforts to meet the program goals of the Work First program during the 2007-2008 program year.</p>

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-1 (Continued)	Views of Responsible Officials and Planned Corrective Actions - DCC will focus on meeting program goals for the 2007-2008 program year. Management and employees of the department continue to work closely with other providers, DHS offices, and SEMCA to further uncover hidden barriers that will enable DCC to better place the customer.

Downriver Community Conference

Summary Schedule of Prior Year Audit Findings Year Ended September 30, 2007

Finding	CFDA Number	Questioned Costs	Comments
DCC did not meet the level of effort requirements for the Work First grant for the current and prior fiscal years.	93.561	Unknown	DCC continued efforts to meet the level of effort requirements for the 2006-2007 program year. DCC met the minimum wage per placement and average wage per placement requirements; however, it did not meet the placement level, retention rate, or average cost per placement requirements for the 2006-2007 program year.



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January 23, 2008

To the Members of the Board
 and Management
 Downriver Community Conference
 15100 Northline Road
 Southgate, MI 48195

Dear Board Members and Management:

We recently completed the audit of Downriver Community Conference (DCC) for the year ended September 30, 2007. As part of the audit, and in addition to the financial and compliance report, we offer the following comments and suggestions for your consideration:

Financial Status of Funds

The following table reflects deficits in the grant funds:

	Fund Deficit	GASB 33 Deferral	True Net Operating Deficit
Employment and training	\$ 5,345	\$ 5,743	\$ -
Economic development	197,332	185,291	12,041
Transportation	2,177	3,571	-

Due to GASB 33, DCC is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, all grant reimbursements not received by November 30, 2007 are not recognized as revenue for the year under audit. Conversely, amounts that were deferred in the prior year due to the GASB 33 implementation were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement, DCC should continue to submit timely requests for reimbursements.

For the past two years, the Economic Development Fund has experienced actual operating deficits, whereby cumulative grant expenditures exceeded revenues. The deficit as of September 30, 2006 was \$15,197 as compared to the current deficit of \$12,041. DCC should review the strategic plans for this fund to ensure adequate resources are available to cover anticipated expenditures. In the current year, the General Fund had to subsidize the fund in the amount of \$26,805.



Expiration of Facility Mortgage

The facility mortgage expires in May 2008. Under the current mortgage arrangement, DCC deposits \$3,065 monthly into a separate bank account as a reserve for potential building repairs. This amount has built up over time and the balance in this account is currently in excess of \$255,000. In the past, the entire balance of this account was restricted on the financial statements and could not be used for any other purposes. We recommended that management work with the bank to reduce or eliminate the required reserve.

Subsequent to year end, DCC management contacted the bank and a \$75,000 limit was established for the reserve account. DCC is still required to deposit \$3,065 into the reserve account on a monthly basis. However, amounts in excess of \$75,000 may be used for other nonbuilding-related purposes. The reduction of the restriction amount should help alleviate cash flow issues that occur throughout the year when awaiting grant reimbursement.

Management has indicated its intent to refinance the mortgage as directed by the board. A representative from our firm's corporate real estate division met with DCC management during the year to discuss the mortgage refinancing and long-range plans for facility use. We would welcome the opportunity to further assist DCC with this matter to ensure the new mortgage obligation is consistent with the board's long-range plans.

Cash Accounts

As a result of our audit, we offer the following accounting-related comment for your consideration. A single bank account is utilized for both DCC and Downriver Mutual Aid disbursements. This situation can lead to commingling of the funds when managing cash flow. In our prior year letter, we recommended that the boards of both entities consider a policy allowing limited, temporary borrowing between the two entities to ensure grant funds are not erroneously spent. Such a policy was approved in December 2007. We encourage the board and management to continue monitoring this bank account activity to ensure the policy is being followed.

Major Auditing Standards Changes

New rules will become effective for DCC's audit next year. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks

To the Members of the Board
and Management
Downriver Community Conference

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January 23, 2008

- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, we will need to make more detailed and specific requests for information from DCC, particularly about processes and controls. We are already working with DCC to implement these upcoming changes. These changes are a result of the major corporate scandals that have happened, and are designed to strengthen the confidence of users of audited financial statements.

Thank you for the opportunity to serve Downriver Community Conference. We would like to extend our appreciation to your staff for the courtesy extended to us during the audit. Please contact us if you would like to discuss any of the matters mentioned above.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Stacey L. Reeves