

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

BASIC FINANCIAL STATEMENTS

June 30, 2004

AUDITING PROCEDURES REPORT

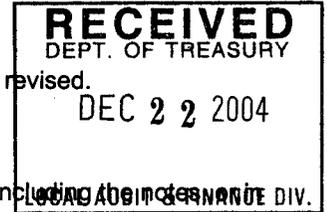
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name E.U.P. Employment and Training Consortium		County Chippewa
Audit Date 6/30/04		Opinion Date 10/14/04		Date Accountant Report Submitted to State: 12/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Anderson, Tackman & Co., P.C.			
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
Accountant Signature Anderson Tackman & Co P.C.		ZIP 49788	

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

APPOINTED OFFICIALS

Chairperson

Phyllis French

Vice Chairperson

Richard Timmer

Board Member

Nancy Morrison

Board Member

Earl Kay

Board Member

Jim Farero

Board Member

Carl Frazier

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	9
Statement of Changes in Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	10
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Notes to Financial Statements	12
REQUIRED SUPPLEMENTAL INFORMATION:	
Major Funds:	
Budgetary Comparison Schedule – General Fund	24
Budgetary Comparison Schedule – Strategic Planning Initiative.....	25
Budgetary Comparison Schedule – WIA Adult.....	26
Budgetary Comparison Schedule – WIA Youth.....	27
Budgetary Comparison Schedule – WIA Dislocated Worker	28
Budgetary Comparison Schedule – WIA Work First - 09/04.....	29
Budgetary Comparison Schedule – Reed Act TANF 04	30
Budgetary Comparison Schedule – Transportation to Work.....	31

TABLE OF CONTENTS

OTHER SUPPLEMENTAL INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds..... 32

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Nonmajor Governmental Funds 34

REPORTS ON COMPLIANCE:

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government
Auditing Standards 36

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over compliance in
Accordance with OMB circular A-133 38

Schedule of Expenditure of Federal Awards..... 40

Notes to Schedule of Expenditures of Federal Awards 41

Summary of Auditors’ Results and Schedule of Findings
and Questioned Costs 42

Summary Schedule of Prior Audit Findings 45



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Independent Auditor's Report

To the Members of the
E.U.P. Employment and
Training Consortium

We have audited the accompanying financial statements of the governmental activities, major governmental fund and aggregate other funds, of the E.U.P. Employment and Training Consortium of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of E.U.P. Employment and Training Consortium. Our responsibility is to express an opinion on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the E.U.P. Employment and Training Consortium as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Consortium adopted the provisions of the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2003.

E.U.P. Employment and
Training Consortium

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2004, on our consideration of the E.U.P. 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the required supplemental information 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 supplemental 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 basic financial statements of the E.U.P. Employment and Training Consortium. The accompanying information identified in the Table of Contents, and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* 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 basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 14, 2004

Management's Discussion and Analysis

**Eastern Upper Peninsula
Employment and Training Consortium**

**Management's Discussion and Analysis
June 30, 2004**

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Consortium's operations in more detail than the government-wide financial statements.

The Consortium as a Whole

The Consortium's combined net assets increased 10.4% from a year ago increasing from \$83,392 to \$92,092. In a condensed format, the table below shows a comparison of the net assets as of the current date.

The Consortium implemented GASB-34 accounting procedures for the period beginning July 2003; therefore a comparative analysis cannot be performed this year.

In a condensed format, the table below shows the net assets of Eastern Upper Peninsula Employment and Training Consortium.

	<u>Governmental Activities</u> <u>2004</u>
Current Assets	\$ 575,526
Noncurrent Assets	<u>18,951</u>
Total Assets	<u>\$ 594,477</u>
Current Liabilities	\$ 496,316
Long-Term Liabilities	<u>6,069</u>
Total Liabilities	<u>502,385</u>
Net Assets	
Invested in Capital Assets -	
Net of Debt	18,951
Unrestricted (Deficit)	843
Restricted	<u>72,298</u>
Total Net Assets	<u>92,092</u>
Total Liabilities and Net Assets	<u>\$ 594,477</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Management's Discussion and Analysis
June 30, 2004**

The current level of unrestricted net assets for our governmental activities stands at \$843, or about .03% of expenses. This is within the targeted range set by the Consortium Board of Trustees during its last budget process.

The following table shows the activities of the Consortium.

	<u>Governmental Activities</u> <u>2004</u>
Program Revenues	
Operating Grants	\$ 2,394,363
General Revenues	
Unrestricted Investment Earnings	694
Other Local Sources - General	<u>23,642</u>
Total Revenues	<u>2,418,699</u>
Program Expenses	
Administration	287,920
Support Services	130,973
Training Services	492,341
District Client Services	125,191
Information & Technology	23,223
Employment Services	84,312
Other Programmatic	405,296
Core Services	155,453
Intensive Services	196,641
In-School Youth	257,445
Out-of-School Youth	244,527
Depreciation – Unallocated	<u>6,677</u>
Total Expenses	<u>2,409,999</u>
Change in Net Assets	<u>\$ 8,700</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Management's Discussion and Analysis
June 30, 2004**

Facility

In the fall of 2003, the Unemployment Agency (UA) vacated the west portion of the Michigan Works! Service Center, located at 1118 East Easterday Avenue in Sault Ste. Marie. As we were sharing some of this area with the state agency, we decided to move the remainder of our staff to the larger west side of the building. We were able to acquire, at no cost, the furnishings that belonged to the UA. Some minor remodeling and reconfiguration of cubicles were completed, along with phone and internet wiring. We also arranged to sublet office space to three state agencies, a nonprofit organization, and a subcontractor (GED preparation classes).

Personnel

Two long-time employees resigned for the Consortium this year, the Deputy Director/Chief Fiscal Officer and the Administrative Fiscal Officer (part time for the last year). Both of these positions were refilled, and the Administrative Fiscal Officer's position was restored to full time. In addition, the Consortium picked up the UA's janitor for 15 hours per week.

At year end, the Consortium employed the following full-time positions: Executive Director, Chief Fiscal Officer, Management Information System Specialist, Executive Secretary, and Administrative Fiscal Officer. The part-time positions are Community Corrections Coordinator (20 hours) and Janitor (15 hours).

In an attempt to curb health insurance costs, the Consortium joined Chippewa County (with whom they have been affiliated for many years) when they formed a self-funded Blue Cross plan for health benefits.

Finances

Our Workforce Investment Act allocations increased slightly from Program Year 2002, which added approximately \$62,000 to our programs for youth, adults, and dislocated workers. The initial allocations for our Welfare Reform programs decreased by about \$30,000, but that was more than recovered by an incentive award of \$39,000.

Employment Services saw another decline of \$23,000; it has been reduced consistently over several years. Although we were able to obtain \$40,000 to assist with Service Center operations, this was a reduction from the \$55,000 we received last year. Fortunately, we had carried in enough Service Center operations money that the reduction had no adverse impact.

It is not expected that we will have as much carry-forward as we did last year. The sub-lease arrangements that are now in place will assist us with space utilization and support for overhead expenses, particularly in our Sault Ste. Marie One-Stop Center.

Projections

Like most Michigan Works! Agencies, the program and operational funds are expected to decline next year. The initial allocations for the Workforce Investment Act will be reduced by about \$200,000 (14 percent), and the Welfare Reform Programs will be reduced by about \$80,000 (16 percent). Employment Serviced programs will also see a reduction of about \$6,500 (6 percent).

Fortunately, the state is still providing us with \$40,000 to assist with Service Center operations. We are concerned about rising health insurance costs (we had a 15 percent increase just prior to the end of the program year) and utility costs. To keep expenses down, we do not anticipate purchasing much in the way of computer upgrades or replacements next year.

It is our intent to maintain the satellite office in Newberry and St. Ignace. We will continue to work with our service deliverer to efficiently and effectively manage the funds we have available for workforce development.

Unrestricted Funds

The Consortium still has approximately \$60,000 in its Strategic Planning fund. From time to time, these funds will be authorized to support activities that are in keeping with the goals of our Strategic Plan, namely increasing workforce readiness, improving academic performance, and attracting high tech/high wage jobs to the area.

Contacting the Consortium's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Consortium's office at: 1122 E. Easterday Avenue Sault Ste. Marie, Michigan, 49783 or (906) 635-1752.

Basic Financial Statements

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Net Assets
June 30, 2004**

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash & Investments	\$ 114,594
Receivables:	
Grants	303,688
Accounts	145,302
Prepaid Expenses	11,942
Capital Assets (Net of Accumulated Depreciation)	<u>18,951</u>
TOTAL ASSETS	<u>\$ 594,477</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	313,637
Accrued Liabilities	13,127
Deferred Revenue	169,552
Noncurrent Liabilities:	
Accrued Compensated Absences	<u>6,069</u>
TOTAL LIABILITIES	<u>502,385</u>
NET ASSETS:	
Invested in Capital Assets (net of related debt)	18,951
Restricted	72,298
Unrestricted	<u>843</u>
TOTAL NET ASSETS	<u>\$ 92,092</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Activities
Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Administration	287,920	261,732	(26,188)
Supportive Services	130,973	142,387	11,414
Training Services	492,341	492,341	-
Direct Client Services	125,191	113,777	(11,414)
Information & Technology	23,223	23,097	(126)
Employment Services	84,312	84,312	-
Other Programatic	405,296	422,651	17,355
Core Services	155,453	155,453	-
Intesive Services	196,641	196,641	-
In-School Youth	257,445	257,445	-
Out-of School Youth	244,527	244,527	-
Depreciation - Unallocated	6,677	-	(6,677)
Total Governmental Activities	<u>\$ 2,409,999</u>	<u>\$ 2,394,363</u>	<u>(15,636)</u>
General Revenues:			
Other Local Sources - General			23,642
Investment Earnings			694
Total General Revenues			24,336
Change in Net Assets			8,700
Net Assets - Beginning			83,392
Net Assets - Ending			<u>\$ 92,092</u>

See accompanying notes to financial statements.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Strategic Planning Initiative	WIA Adult	WIA Youth	WIA Dislocated Worker	Work First - 9/04	Reed Act TANF 04	Transportation to Work	Other Governmental Funds	Total Governmental Funds
ASSETS:										
Cash & Investments - Unrestricted	\$ -	\$ 22,469	\$ -	\$ 5,072	\$ -	\$ 25,966	\$ 40,113	\$ -	\$ 20,974	\$ 114,594
Receivables:										
Grants	10,190	-	86,146	88,270	40,171	-	-	26,414	52,497	303,688
Accounts	21	-	31,587	39,557	31,889	-	42,238	-	10	145,302
Due from other funds	-	42,855	-	-	-	-	-	-	-	42,855
Prepaid Expenses	4,744	7,198	-	-	-	-	-	-	-	11,942
TOTAL ASSETS	\$ 14,955	\$ 72,522	\$ 117,733	\$ 132,899	\$ 72,060	\$ 25,966	\$ 82,351	\$ 26,414	\$ 73,481	\$ 618,381
LIABILITIES:										
Due to Other Funds	\$ 7,934	\$ -	\$ 10,154	\$ -	\$ 12,589	\$ -	\$ -	\$ -	\$ 12,178	\$ 42,855
Accounts Payable	-	224	107,384	119,086	51,830	-	756	-	34,357	313,637
Accrued Liabilities	109	-	46	46	46	3	2,296	-	10,581	13,127
Deferred Revenue	-	-	149	13,767	7,595	25,963	79,299	26,414	16,365	169,552
TOTAL LIABILITIES	8,043	224	117,733	132,899	72,060	25,966	82,351	26,414	73,481	539,171
FUND BALANCES:										
Unreserved:										
Undesignated	6,912	72,298	-	-	-	-	-	-	-	79,210
TOTAL FUND BALANCES	6,912	72,298	-	-	-	-	-	-	-	79,210
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,955	\$ 72,522	\$ 117,733	\$ 132,899	\$ 72,060	\$ 25,966	\$ 82,351	\$ 26,414	\$ 73,481	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities										18,951
Compensated absences liability										(6,069)
Net assets of governmental activities										\$ 92,092

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Changes in Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2004**

	General	Strategic Planning Initiative	WIA Adult - 04	WIA Youth	WIA Dislocated Worker	Work First - 9/04	Reed Act TANF 04	Transportation to Work	Other Governmental Funds	Total Governmental Funds
REVENUES:										
Federal Sources	\$ -	\$ -	\$ 511,356	\$ 498,034	\$ 312,603	\$ 102,263	\$ 191,545	\$ 10,333	\$ 564,743	\$ 2,190,877
State Sources	-	-	-	-	-	-	-	-	203,486	203,486
Local Sources	23,642	-	-	-	-	-	-	-	-	23,642
Interest on Deposits	-	-	-	-	-	103	-	-	-	694
TOTAL REVENUES	23,642	-	511,356	498,034	312,603	102,366	191,545	10,333	768,820	2,418,699
EXPENDITURES:										
Administration	19,996	7,982	-	-	-	6,287	28,241	-	227,898	290,404
Supportive Services	-	-	-	-	-	81,575	-	10,333	39,065	130,973
Training Services	-	-	302,841	-	169,024	-	216	-	20,260	492,341
Direct Client Services	-	-	-	-	-	10,563	11,414	-	103,214	125,191
Information & Technology	-	-	-	-	-	3,941	6,687	-	12,469	23,097
Employment Services	-	-	-	-	-	-	-	-	84,312	84,312
Other Programatic	-	2,694	-	-	-	-	-	-	277,664	425,345
In-School Youth	-	-	-	253,507	-	-	144,987	-	3,938	257,445
Core Services	-	-	102,810	-	52,643	-	-	-	-	155,453
Intesive Services	-	-	105,705	-	90,936	-	-	-	-	196,641
Out-of School Youth	-	-	-	244,527	-	-	-	-	-	244,527
TOTAL EXPENDITURES	19,996	10,676	511,356	498,034	312,603	102,366	191,545	10,333	768,820	2,425,729
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,646	(10,676)	-	-	-	-	-	-	-	(7,030)
FUND BALANCES, JULY 1	3,266	82,974	-	-	-	-	-	-	-	86,240
FUND BALANCES, JUNE 30	\$ 6,912	\$ 72,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,210

**Eastern Upper Peninsula
Employment and Training Consortium**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2004**

Net Changes in fund balances – total governmental funds \$ (7,030)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense (\$6,677). 12,982

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the following net changes.

Compensated absences 2,748

Changes in net assets of governmental activities \$ 8,700

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Upper Peninsula Employment and Training Consortium conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Consortium:

A – Reporting Entity:

Financial Reporting Entity

E.U.P. Employment and Training Consortium was established to provide training and education services to displaced workers and individuals seeking to enter the work place. Its service area includes Luce County, Chippewa County, and Mackinac County. Board members consist of governmental officials as well as members of private industry.

Due to changes by the State of Michigan, which were effective July 1, 1997, the training and education services are administered by outside providers. The funding continues to flow through E.U.P. Employment and Training Consortium. The Consortium is responsible for monitoring these providers. The service providers are subcontractors of the Consortium.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest on deposits are reported as general revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – 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. 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 funds are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Consortium reports the following major governmental funds:

General Fund

This is the Consortium's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Strategic Planning fund

This fund accounts for activities strategic planning.

WIA Adult - 04

This fund accounts for training and job placement for adults.

WIA Dislocated Worker

This fund accounts for training and job placement for dislocated workers.

Work First - 09/04

This fund accounts for services to welfare recipients designed to increase self sufficiency.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reed Act TANF 04

This fund accounts for services to welfare recipients designed to increase self sufficiency.

Transportation to Work

This fund accounts for public transportation services for welfare reform participants.

Additionally, the Consortium reports the following fund types:

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items – Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	7 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. 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 government and its employees is 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 government and its employees are accounted for in the period in which such services are rendered or in which such events take place.

There is vesting of accumulated unpaid vacation leave beyond the current fiscal year, however, there is no vesting of unpaid sick leave.

Cost Allocation - Joint costs are allocated to benefiting programs using time and attendance allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel - Agency personnel time is identified by cost category such as administration, training, or intensive services, and information technology based on job functions and is charged to those particular cost pools. The cost pools are then allocated to various funding sources based on the percentage of direct personnel charges for the period. All direct costs are identified as such and charged to the appropriate funding source and cost category.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Space Costs - Space costs (maintenance, utilities, insurance, etc.) are charged to the administrative, training related, or direct training cost pools, based on utilization, then further allocated based on time and attendance or participant enrollment.

Other Joint Costs - Other joint costs are charged to agency programs based on the amounts used by each program or other appropriate methodology.

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

Deferred Revenues - The Consortium reports deferred revenue on its combined balance sheet. Deferred revenues arise 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 the Consortium has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Prior to the beginning of the fiscal year, Consortium administration personnel prepare the budget for all governmental funds. The budgets are reviewed and approved by the appropriate state or federal governing body for final approval. The budgets lapse at the program year end period. A budget was not prepared for the General fund or the Strategic Planning fund.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Consortium's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents - Unrestricted	<u>\$ 114,594</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking)	<u>\$ 114,594</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Consortium to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Consortium's deposits and investment policy are in accordance with statutory authority.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2004**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the carrying amount of the deposits was \$114,594 and the bank balance was \$116,936. Of the bank balance, \$100,000, approximately 86%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in one financial institutions. The account is in the name of the Consortium. It is recorded in Consortium records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets being depreciated:				
Leasehold Improvements	\$ 72,470	\$ 19,659	\$ (72,470)	\$ 19,659
Furniture and Equipment	<u>225,953</u>	<u>-</u>	<u>(201,328)</u>	<u>24,625</u>
Subtotal	<u>298,423</u>	<u>19,659</u>	<u>(273,798)</u>	<u>44,284</u>
Less accumulated depreciation for:				
Leasehold Improvements	72,470	2,808	(72,470)	2,808
Furniture and Equipment	<u>189,636</u>	<u>3,869</u>	<u>(170,980)</u>	<u>22,525</u>
Subtotal	<u>262,106</u>	<u>6,677</u>	<u>(243,450)</u>	<u>25,333</u>
Total Capital Assets – Net of Depreciation	<u>\$ 36,317</u>	<u>\$ 12,982</u>	<u>\$ (30,348)</u>	<u>\$ 18,951</u>

Depreciation for the fiscal year ended June 30, 2004 amounted to \$6,677. The Consortium determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Consortium reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assts/balance sheet for governmental funds.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2004**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund balances at June 30, 2004 consisted of the following:

		<u>DUE FROM</u>	<u>Strategic Planning Fund</u>
<u>DUE TO</u>	General Fund	\$	7,934
	WIA - Adult		10,154
	WIA - Dislocated Worker		12,589
	Other Nonmajor Funds		<u>12,178</u>
	Total	<u>\$</u>	<u>42,855</u>

NOTE 6 - ACCOUNTS PAYABLE

The Consortium's accounts payable balance as of June 30, 2004 consists of the following:

Consolidated Community Schools	\$	299,940
Other - Vendors		<u>13,697</u>
Total	<u>\$</u>	<u>313,637</u>

NOTE 7 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Consortium joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2004**

NOTE 8 - CONTINGENT LIABILITIES

The Consortium receives significant financial assistance from federal and state agencies in the form of grants. The distribution of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the applicable special revenue fund. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Consortium at June 30, 2004.

The Consortium has outstanding contractual obligations to service providers in the amount of \$299,940. Amounts are payable as contract services are provided.

NOTE 9 - LEASE COMMITMENTS:

The Consortium currently leases office space on Easterday Avenue from an individual for their main office. The lease terms require monthly payments of \$4,500 for one year. The lease contains a cancellation provision in the event that the Consortium's present funding is terminated and an option to renew for an additional three (3) year period commencing July 1, 2005.

The Consortium's future minimum rental commitments for the aforementioned lease agreement accounted for as an operating lease at June 30, 2004, are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2005	\$ <u>54,000</u>
	<u>\$ 54,000</u>

The Consortium also leases offices in St. Ignace and Newberry. The St. Ignace lease is on a month-to-month basis for \$399 per month. The Newberry lease is on a month-to-month basis at \$850 per month.

The Consortium also has a lease agreement for allocation of space, workstations/furniture, rent and utilities/maintenance with the Michigan Works! Service Center office in Sault Ste. Marie. There is no set lease term for the allocation as it is based on future considerations such as staffing and funding. The lease terms require quarterly payments of \$1,215.

NOTE 10 - RELATED PARTIES:

Federal program participants in some cases are related to members of management. Program related participant costs remitted on behalf of related parties was \$8,447 for fiscal 2004.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The E.U.P. Employment and Training Consortium participates in the Chippewa County pension plan. The following is a description of that plan:

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2003 for the Consortium was 4.50%.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to Financial Statements
June 30, 2004**

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended June 30, 2004, the Consortium's contributions totaling \$8,357 were made in accordance with the contribution requirement determined by MERS. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Employees of the Consortium are required to contribute 3% of their gross wages to the plan. During the fiscal year ended June 30, 2004, employees contributed \$3,906 to the plan.

Three year trend information as of December 31, follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial Value of Assets	\$ 996,321	\$ 1,008,784	\$ 1,071,469
Actuarial Accrued Liability	993,226	1,031,387	1,053,258
Unfunded AAL	(3,095)	22,603	(18,211)
Funded Ratio	100%	98%	102%
Covered Payroll	174,505	171,745	107,487
UAAL as a Percentage of Covered Payroll	0%	13%	0%

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Consortium implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

Required Supplemental Information

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Local Sources	\$ -	\$ -	\$ 23,642	\$ 23,642
TOTAL REVENUES	-	-	23,642	23,642
EXPENDITURES:				
Administration	-	-	19,996	(19,996)
TOTAL EXPENDITURES	-	-	19,996	(19,996)
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	3,646	<u>\$ 3,646</u>
FUND BALANCE, JUNE 1			<u>3,266</u>	
FUND BALANCE, JUNE 30			<u>\$ 6,912</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Strategic Planning
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Administration	\$ -	\$ -	\$ 7,982	\$ (7,982)
Other Programatic	-	-	2,694	(2,694)
TOTAL EXPENDITURES	-	-	10,676	(10,676)
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	(10,676)	<u>\$ (10,676)</u>
FUND BALANCE, JUNE 1			82,974	
FUND BALANCE, JUNE 30			<u>\$ 72,298</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Adult
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 492,047	\$ 526,987	\$ 511,356	\$ (15,631)
TOTAL REVENUES	492,047	526,987	511,356	(15,631)
EXPENDITURES:				
Training Services	-	-	302,841	(302,841)
Core Services	-	-	102,810	(102,810)
Intensive Services	-	-	105,705	(105,705)
TOTAL EXPENDITURES	492,047	526,987	511,356	15,631
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Youth
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 520,531	\$ 530,760	\$ 498,034	\$ (32,726)
TOTAL REVENUES	<u>520,531</u>	<u>530,760</u>	<u>498,034</u>	<u>(32,726)</u>
EXPENDITURES:				
In-School Youth	-	-	253,507	(253,507)
Out-of-School Youth	-	-	244,527	(244,527)
TOTAL EXPENDITURES	<u>520,531</u>	<u>530,760</u>	<u>498,034</u>	<u>32,726</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			<u>\$ -</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Dislocated Worker
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 284,931	\$ 320,198	\$ 312,603	\$ (7,595)
TOTAL REVENUES	284,931	320,198	312,603	(7,595)
EXPENDITURES:				
Training Services	-	-	169,024	(169,024)
Core Services	-	-	52,643	(52,643)
Intensive Services	-	-	90,936	(90,936)
TOTAL EXPENDITURES	284,931	320,198	312,603	7,595
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Work First 9/04
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 360,214	\$ 397,661	\$ 102,263	\$ (295,398)
Interest on Deposits	-	-	103	103
TOTAL REVENUES	<u>360,214</u>	<u>397,661</u>	<u>102,366</u>	<u>(295,295)</u>
EXPENDITURES:				
Administration	17,498	8,801	6,287	2,514
Supportive Services	86,902	106,380	81,575	24,805
Direct Client Services	23,420	15,789	10,563	5,226
Information & Technology	18,000	-	3,941	(3,941)
TOTAL EXPENDITURES	<u>145,820</u>	<u>130,970</u>	<u>102,366</u>	<u>28,604</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 214,394</u>	<u>\$ 266,691</u>	-	<u>\$ (266,691)</u>
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			<u>\$ -</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Reed Act TANF 04
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 360,214	\$ 397,661	\$ 191,545	\$ (206,116)
TOTAL REVENUES	<u>360,214</u>	<u>397,661</u>	<u>191,545</u>	<u>(206,116)</u>
EXPENDITURES:				
Administration	-	-	28,241	(28,241)
Direct Client Services	-	-	11,414	(11,414)
Training Services	-	-	216	(216)
Information & Technology	-	-	6,687	(6,687)
Other Programatic	-	-	144,987	(144,987)
TOTAL EXPENDITURES	<u>267,599</u>	<u>205,046</u>	<u>191,545</u>	<u>(191,545)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 92,615</u>	<u>\$ 192,615</u>	-	<u>\$ (192,615)</u>
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			<u>\$ -</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Transportation to Work
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 36,715	\$ 36,715	\$ 10,333	\$ (26,382)
TOTAL REVENUES	36,715	36,715	10,333	(26,382)
EXPENDITURES:				
Supportive Services	36,715	36,715	10,333	26,382
TOTAL EXPENDITURES	36,715	36,715	10,333	26,382
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JUNE 1			-	
FUND BALANCE, JUNE 30			\$ -	

Other Supplemental Information

**Eastern Upper Peninsula
Employment and Training Consortium**

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Special Revenue Funds											
	Welfare to	Food Stamp	Food Stamp	State	State	Trade Act	FIA	Employment	Work First	Reed Act	Reemployment	Reed Act One
	Work 9/03	E&T - 9/03	E&T - 9/04	Welfare to	Welfare to		TANF	Services	First - 9/03	TANF 03	Services	Stop - 9/04
ASSETS:												
Cash and cash equivalents	\$ -	\$ -	\$ 835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,349	\$ 4,084
Receivables:												
Grants	-	-	1,230	-	-	5,000	-	9,467	-	-	300	2,000
Accounts	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 2,065	\$ -	\$ -	\$ 5,000	\$ -	\$ 9,467	\$ -	\$ -	\$ 2,649	\$ 6,084
LIABILITIES:												
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	2	-	-	-	-	8,649	-	-	2,649	912
Accrued Liabilities	-	-	1	-	-	-	-	763	-	-	-	3,282
Deferred Revenue	-	-	2,062	-	-	5,000	-	-	-	-	-	1,890
TOTAL LIABILITIES	-	-	2,065	-	-	5,000	-	9,467	-	-	2,649	6,084
FUND BALANCES:												
Unreserved:												
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 2,065	\$ -	\$ -	\$ 5,000	\$ -	\$ 9,467	\$ -	\$ -	\$ 2,649	\$ 6,084

**Eastern Upper Peninsula
Employment and Training Consortium**

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Special Revenue Funds											Totals	
	Reed Act One Stop 9/03	State Grant One Stop - 9/04	Reed Act Accessibility	Welfare to Work 9/04	Community Corrections - 9/04	WIA Adminstration	Partnership for Adult Learning 03	Community Corrections - 9/03	WIA - Youth Statetwide Activity Grant	Incumbent Worker SWA	Incumbent Worker Incentive		WIA Capacity Building
ASSETS:													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,304	\$ -	\$ 8,891	\$ -	\$ -	\$ -	\$ 854	\$ 657	\$ -	\$ 20,974
Receivables:													
Grants	-	-	-	-	21,322	-	-	-	4,376	8,802	-	-	52,497
Accounts	-	-	-	-	-	10	-	-	-	-	-	-	10
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 3,304	\$ 21,322	\$ 8,901	\$ -	\$ -	\$ 4,376	\$ 9,656	\$ 657	\$ -	\$ 73,481
LIABILITIES:													
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 11,685	\$ -	\$ -	\$ -	\$ 438	\$ -	\$ -	\$ -	\$ 12,178
Accounts Payable	-	-	-	3,304	4,590	-	-	-	3,938	9,656	657	-	34,357
Accrued Liabilities	-	-	-	-	1,878	4,657	-	-	-	-	-	-	10,581
Deferred Revenue	-	-	-	-	3,169	4,244	-	-	-	-	-	-	16,365
TOTAL LIABILITIES	-	-	-	3,304	21,322	8,901	-	-	4,376	9,656	657	-	73,481
FUND BALANCES:													
Unreserved:													
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ 3,304	\$ 21,322	\$ 8,901	\$ -	\$ -	\$ 4,376	\$ 9,656	\$ 657	\$ -	\$ 73,481

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2004**

	Special Revenue Funds											
	Welfare to Work 9/03	Food Stamp E&T - 9/03	Food Stamp E&T - 9/04	State Welfare to Work 9/03	State Welfare to Work 9/04	Trade Act	FIA TANF	Employment Services	Work First 9/03	Reed Act TANF 03	Reemployment Services	Reed Act One Stop 9/04
REVENUES:												
Federal Sources	\$ 26,854	\$ 438	\$ 1,438	\$ -	\$ -	\$ 1,754	\$ 5,400	\$ 89,819	\$ 45,692	\$ 76,863	\$ 12,878	\$ 64,383
State Sources	-	-	-	13,487	21,705	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	35	49	-	-	28
TOTAL REVENUES	26,854	438	1,438	13,487	21,705	1,754	5,400	89,854	45,741	76,863	12,878	64,411
EXPENDITURES:												
Administration	1,136	3	565	628	1,936	-	-	17,133	5,397	14,544	1,287	13,680
Supportive Services	-	89	470	-	-	-	5,400	-	33,106	-	-	-
Training Services	-	-	-	-	-	-	-	-	-	-	-	-
Direct Client Services	25,718	346	103	12,859	642	-	-	-	(55)	62,319	-	-
Information & Technology	-	-	-	-	1,664	-	-	-	7,293	-	-	-
Employment Services	-	-	-	-	-	-	-	72,721	-	-	11,591	-
Other Programatic	-	-	300	-	17,463	1,754	-	-	-	-	-	50,731
In-School Youth	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	26,854	438	1,438	13,487	21,705	1,754	5,400	89,854	45,741	76,863	12,878	64,411
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JANUARY 1	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, SEPTEMBER 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Revenues, Expenditures, and
Changeds in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2004**

	Special Revenue Funds											Totals	
	Reed Act One Stop 9/03	State Grant One Stop 9/04	Reed Act Accessibility	Welfare to Work 9/04	Community Corrections - 9/04	WIA Administration	Partnership for Adult Learning 04	Community Corrections - 9/03	WIA - Youth Statetwide Activity Grant	Incumbent Worker SWA	Incumbent Worker Incentive		WIA Capacity Building
REVENUES:													
Federal Sources	\$ 23,566	\$ -	\$ 3,017	\$ 40,757	\$ -	\$ 122,756	\$ -	\$ -	\$ 4,376	\$ 17,697	\$ 3,055	\$ 24,000	\$ 564,743
State Sources	-	766	-	-	98,636	-	50,110	18,782	-	-	-	-	203,486
Interest & Rentals	-	-	-	-	28	438	-	13	-	-	-	-	591
TOTAL REVENUES	23,566	766	3,017	40,757	98,664	123,194	50,110	18,795	4,376	17,697	3,055	24,000	717,966
EXPENDITURES:													
Administration	4,402	-	314	3,560	27,331	123,194	2,241	8,613	438	1,009	7	480	227,898
Supportive Services	-	-	-	-	-	-	-	-	-	-	-	-	39,065
Training Services	-	-	-	531	-	-	-	-	-	-	-	-	20,260
Direct Client Services	-	-	-	1,282	-	-	-	-	-	16,681	3,048	-	103,214
Information & Technology	-	-	-	3,329	-	-	183	-	-	-	-	-	12,469
Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	84,312
Other Programatic	19,164	766	2,703	32,055	71,333	-	47,686	10,182	-	7	-	-	277,664
In-School Youth	-	-	-	-	-	-	-	-	3,938	-	-	-	3,938
TOTAL EXPENDITURES	23,566	766	3,017	40,757	98,664	123,194	50,110	18,795	4,376	17,697	3,055	24,000	768,820
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, JANUARY 1	-	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, SEPTEMBER 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

Members of the Board
E.U.P. Employment and Training Consortium
1122 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of E.U.P. Employment and Training Consortium as of and for the year ended June 30, 2004, which collectively comprise the E.U.P. Employment and Training Consortium's basic financial statements and have issued our report thereon, dated October 14, 2004. 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 E.U.P. Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect E.U.P. Employment and Training Consortium's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are describe in the accompanying schedule of findings and questioned costs as item 04-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether E.U.P. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as listed in the accompanying Schedule of Findings and Questioned Costs as item 04-2. We also noted certain immaterial instances of noncompliance that we have reported to management of the Consortium in a separate letter dated October 14, 2004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition describe above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of E.U.P. Employment and Training Consortium in a separate letter dated October 14, 2004.

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



**Anderson, Tackman & Company, PLC
Certified Public Accountants**

October 14, 2004



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MICHIGAN & WISCONSIN

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

Members of the Board
E.U.P. Employment and Training Consortium
1122 E. Easterday Avenue
Sault Ste. Marie, MI 49783

Compliance

We have audited the compliance of the E.U.P. Employment and Training Consortium 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, 2004. The 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 the Consortium's management. Our responsibility is to express an opinion on the Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the Consortium's compliance with those requirements.

In our opinion, the 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, 2004.

Internal Control Over Compliance

The management of the Consortium 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 the Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect E.U.P. Employment and Training Consortium's ability to administer a major federal program in accordance with the applicable requirements of laws regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 04-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness as described on page 43.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 14, 2004

**Eastern Upper Peninsula
Employment and Training Consortium**

**Schedule of Expenditures of Federal Awards
For the Year End June 30, 2004**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	2004 Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Pass-through programs from the Michigan Dept. of Career Development (MDCD):			
Food Stamp Employment & Training - 10/1/03 to 9/30/04	10.561	-	\$ 1,438
Food Stamp Employment & Training - 10/1/02 to 9/30/03	10.561	-	438
Total - U.S. Department of Agriculture			<u>1,876</u>
U. S. DEPARTMENT OF LABOR:			
Pass-through programs from the Michigan Dept. of Career Development (MDCD):			
Reed Act - TANF - 10/1/02 to 9/30/03	17.XXX	-	76,863
Reed Act - TANF - 10/1/03 to 9/30/04	17.XXX	-	191,545
Reed Act - One Stop - 10/1/02 to 9/30/03	17.XXX	-	23,566
Reed Act - One Stop - 10/1/03 to 9/30/04	17.XXX	-	64,383
Reed Act - Accessibility - 10/1/02 to 9/30/03	17.XXX	-	3,017
Employment Service	17.207	-	89,819
Re-employment Service	17.207	-	12,878
Trade Act	17.245	-	1,754
Work First (WtW) - 10/1/03 to 9/30/04	17.253	-	40,757
Work First (WtW) - 10/1/02 to 9/30/03	17.253	-	26,854
WIA - Adult	17.258	-	511,356
WIA - Youth Statewide	17.259	-	4,376
WIA - Youth	17.259	-	498,034
WIA - Incumbent Worker - Statewide	17.259	-	17,697
WIA - Incumbent Worker - Incentive	17.259	-	3,055
WIA - Dislocated Worker	17.260	-	312,603
WIA - Capacity Building	17.260	-	24,000
WIA - Admin	17.260	-	122,756
Subtotal - MDCD			<u>2,025,313</u>
Total - U.S. Department of Labor			<u>2,025,313</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through programs from the Michigan Dept. of Career Development (MDCD):			
TANF - Transportation to Work - 10/1/03 to 9/30/04	93.558	-	10,333
TANF - FIA	93.558	-	5,400
Work First - 10/1/03 to 9/30/04	93.558	-	102,263
Work First - 10/1/02 to 9/30/03	93.558	-	45,692
Total - U.S. Department of Health and Human Services			<u>163,688</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,190,877</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to the Schedule of
Expenditures of Federal Awards
For the Year Ended June 30, 2004**

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of E. U. P. Employment and Training Consortium and is presented on the modified 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 financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Labor is the oversight agency of the E. U. P. Employment and Training Consortium, as this federal agency provided the largest amount of indirect federal funding. The E. U. P. Employment and Training Consortium did not receive any direct federal funding during the fiscal year.

NOTE C - SUBRECIPIENTS:

Of the federal expenditures presented in the schedule, E. U. P. Employment and Training Consortium provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
NTI - Food Stamp Employment and Training	10.561	\$ 843
CCSS - Employment Services	17.207	53,666
CCSS - WIA - Adult	17.258	498,749
CCSS - WIA - Youth	17.259	486,828
CCSS - WIA - Youth Statewide Activity	17.259	3,938
CCSS - WIA - Dislocated Worker	17.260	301,771
CCSS - Re-employment Services	17.207	11,590
NTI - Work First, Work First (WtW), and Work First Youth	93.558	170,978
NTI - Reed Act TANF, Reed Act One Stop, And Reed Act Accessibility	17.XXX	208,894
CCSS - Trade Act	17.245	1,754
CCSS - Incumbent Worker	17.259	19,164
Total federal awards provided to subrecipients		<u>\$ 1,758,175</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

17.258	Workforce Investment Act – (WIA Cluster)
17.259	Workforce Investment Act – (WIA Cluster)
17.260	Workforce Investment Act – (WIA Cluster)

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

**Eastern Upper Peninsula
Employment and Training Consortium**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

Section II – Financial Statement Findings

General Ledger Reconciliations

Finding 04-1

Condition: For the periods March 2004 through June 2004 the bank reconciliation for cash was not reconciled to the general ledger resulting in incorrect interim cash balance reporting by fund.

Criteria: Bank reconciliations for cash should be reconciled to the general ledger each month.

Recommendation: We recommend the bank reconciliations for cash be reconciled to the general ledger each month and any variances be investigated as soon as possible.

Management's Response-Corrective Action Plan: Contact person is Gwen Worley, Executive Director, 1122 E. Easterday Avenue, Sault Ste. Marie, Michigan, 49783 or (906) 635-1752.

Management has agreed to correct this problem by performing the required reconciliations on a monthly basis.

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations

Finding 04-2

Condition: The Consortium did not adopt a budget for the General Ledger fund or the Strategic Planning fund. This caused instances of noncompliance with the provisions of the Statutory Budgeting Act.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General:			
Administration	\$ -	\$ 19,996	\$ (19,996)
Strategic Planning:			
Administration	-	7,982	(7,982)
Other Programmatic	-	2,694	(2,694)

Criteria: In order to comply with the Budgeting Act, a budget should be adopted for the General fund and all Special Revenue funds.

Recommendations: We recommend the Consortium to adopt a budget for the General fund and all Special Revenue funds.

Management's Response-Corrective Action Plan: Contact person is Gwen Worley, Executive Director, 1122 E. Easterday Avenue, Sault Ste. Marie, Michigan, 49783 or (906) 635-1752.

Management has agreed to adopt a budget for the General fund and all Special Revenue funds.

Section III - Federal Award Findings and Questioned Costs

NONE.

**Eastern Upper Peninsula
Employment and Training Consortium**

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004**

NONE.



WORKFORCE DEVELOPMENT BOARD
EMPLOYMENT AND TRAINING CONSORTIUM

WORKFORCE DEVELOPMENT BOARD

Jim Wagner
President

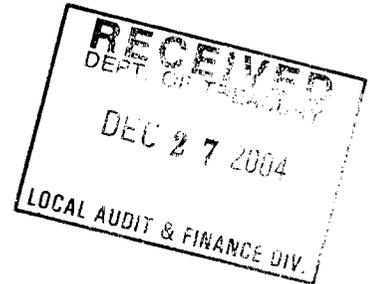
Tony Bosbous
Vice President

Jill Hazel
Treasurer

Jeff Holt
Secretary

December 22, 2004

Local Audit and Finance Division
Michigan Department of Treasury
P. O. Box 30728
Lansing, MI 48909-8228



ADMINISTRATIVE BOARD

Phyllis French
Chair

Richard Timmer
Vice Chair

Gwen Worley
Executive Director

Dear Sirs:

Enclosed please find a copy of our single audit report for the period ending June 30, 2004, along with the report to management.

Regarding the comments and recommendations submitted by the auditing firm, we would like to provide the following responses:

General Ledger: We are now reconciling the individual accounts to the general ledger on a monthly basis.

Cut-Off: Beginning this fiscal year, the sick payoff will be paid on June 30, to avoid any issues with payables and outstanding checks. All checks will be posted in the period that they were cut so there will be no issue with outstanding checks posted in a period other than the period the check was written.

Space Allocation: When allocations are entered into the computer from external spreadsheets, two separate people will check the data to make sure everything correlates together.

Budget Violations: The Consortium is adopting budgets for the General Fund and the Strategic Fund.





Audit Letter
December 22, 2004
Page 2

Accounts Payable: As payables for the fiscal year ending June 30, 2005, are paid, they will be entered on a separate invoice from the fiscal year which starts July 1, 2005 so they are easily accounted for. Bills submitted past the sixty days of year end will not be payable from funds from the prior fiscal year.

Grants Receivable: The Consortium will make sure that all requests for the fiscal year ending June 30, 2005 are made a week and a half before the sixty days are up. The receivables will also be recorded as they become known.

Deferred Revenue: Cash advances will only be made to cover the amount of expenses that have occurred by the end of the fiscal year. No money will be ordered for the next fiscal year until July 1, 2005.

Payroll: The Consortium received a copy of the *Michigan New Hire Form* from Anderson, Tackman & Company. We have incorporated this form with our new employee personnel packet, and will instruct all new hires to complete it.

If additional information is needed, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Gwen E. Worley".

Gwen Worley
Executive Director

Enclosure



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

To the Members of the
E.U.P. Employment and
Training Consortium Board
1122 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the basic financial statements of the E.U.P. Employment and Training Consortium, Michigan for the period ended June 30, 2004, and have issued our reports thereon dated October 14, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

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

In planning and performing our audit, we considered E.U.P. Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the E.U.P. 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about E.U.P. Employment and Training Consortium's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on E.U.P. Employment and Training Consortium's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on E.U.P. Employment and Training Consortium's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the E.U.P. Employment and Training Consortium are described in Note 1 to the financial statements. We noted no transactions entered into by the E.U.P. Employment and Training Consortium during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Consortium did implement the provisions of GASB Statement No. 34 on July 1, 2003.

Accounting Estimates

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

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the E.U.P. Employment and Training Consortium that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Disagreements with Management

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

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the E.U.P. Employment and Training Consortium's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

General Ledger

The general ledger was not reconciled to cash reconciliations or other account detail at year end. Several adjustments were posted to reconcile the general ledger to the appropriate accounts. It is recommended that the general ledger be reconciled to reflect actual activity prior to year end audit.

Cut-off

The fiscal year sick payoff was paid by check, dated July 2, 2004, but posted to June 30, 2004 activity. The check was not posted as an outstanding check on the June 30, 2004 bank reconciliation.

There does not appear to be proper cut off of cash at year end. It was noted that several checks were dated July 2, 2004 and were listed as outstanding checks on the June 30, 2004 bank reconciliation. It is recommended checks do not be posted to a period other than the period the check is written.

Space Allocation

During our review of space allocation for the month of May, it was noted that a variance of fourteen (14) hours exists between the spreadsheet prepared and what is actually entered into the computer. We recommend a review of data entered be performed to ensure the allocation is inputted properly.

Budget Violations

The Consortium Board did not adopt budgets for the General or Strategic Planning fund as required by Act 621 of 1978, Section 18, (1) as amended. It is recommended the Consortium adopt a budget for the General Fund and Strategic Planning fund on a functional level in order to avoid budget violations.

Accounts Payable

During our search for unrecorded accounts payable, we noted several significant payables that were not recorded on the general ledger at June 30, 2004. It is recommended all payables paid within sixty (60) days of fiscal year end be reviewed for applicability to the prior year.

Grants Receivable

During our search for unrecorded grants receivables, we noted several significant receivables that were not recorded on the general ledger at June 30, 2004. It is recommended all grants receivables paid within sixty (60) days of fiscal year end be reviewed for applicability to the prior year.

Deferred Revenue

Several adjustments had to be made to record deferred revenue at June 30, 2004. It is recommended, the Consortium not request cash advances in such a magnitude. By definition revenue cannot be recognized until qualifying expenditures have been incurred.

Payroll

It was noted during our review of payroll that the *Michigan New Hire Form* is not completed by all new hires. We recommend this form be completed for all new hires.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 14, 2004