

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

Financial Statements and
Supplementary Information
Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Michigan Works! West Central	County Mecosta
Audit Date 06/30/04	Opinion Date 10/20/04	Date Accountant Report Submitted to State:	

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.

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LOCAL AUDIT & FINANCE DIV.

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.

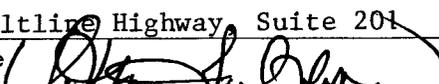
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

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) Wipfli Young (an office of Wipfli LLP)			
Street Address 2901 West Beltline Highway, Suite 201	City Madison	State WI	ZIP 53713
Accountant Signature 			

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

Financial Statements and Supplementary Information
Year Ended June 30, 2004

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Independent Auditor's Report

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

We have audited the accompanying financial statements of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

As described in the notes to the financial statements, the West Central Michigan Employment and Training Consortium adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003. These resulted in a change to the format and content of the West Central Michigan Employment and Training Consortium financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2004, on our consideration of West Central Michigan Employment and Training Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wipfli LLP

Wipfli LLP

October 20, 2004
Madison, Wisconsin

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

Management's Discussion and Analysis

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB 34 introduces two new financial reports – the statement of net assets and the statement of activities. In addition, GASB 34 requires a Management's Discussion and Analysis which is an overview of financial activities for the fiscal year.

State and local governments (including West Central Michigan Employment and Training Consortium) must conform to Statement 34 as with all other generally accepted accounting principles. Comparative statements are not required in the year of implementation but have been included in some areas. In future years, a comparative analysis of government-wide data will be presented.

Financial Highlights

- West Central Michigan Employment and Training Consortium's (the "Consortium") overall financial position, as reflected in total net assets, decreased by \$5,695.
- In governmental funds, the total fund balance increased by \$197.

A synopsis of key financial activities for the 2003-2004 fiscal year is as follows:

- Fiscal year 2002-2003 included an audit questioned cost in the amount of \$31,500. Judicial resolution is still in process as of the end of fiscal year 2003-2004.
- The Consortium was awarded, from Michigan Department of Labor and Economic Growth (MDLEG), \$124,000 in incentive funds based on achievement of Performance Standards for both Work First and WIA programs.
- The Consortium opened a new Service Center in Baldwin in December 2003.
- In response to plant closures, Trade Act services increased from an annual funding level of a few thousand dollars to \$480,000.
- The Consortium was also awarded, for the first time, a WIA Dislocated Worker Negotiated Adjustment Grant of \$200,000 to serve clients resulting from plant closures in our service delivery area.
- The Consortium exceeded 16 of the 17 WIA Performance Standards. The 17th was met at 99.5% which qualifies the Consortium to share in the incentive funds for fiscal year June 30, 2004.

Overview of the Financial Statements

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

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

Management's Discussion and Analysis

Government-Wide Financial Statements

- The government-wide financial statements are the statement of net assets and the statement of activities. These statements present an aggregate view of the Consortium's finances in a manner similar to private and nonprofit sectors.
- The statement of net assets presents information on all of the Consortium's assets and liabilities, with the difference between the two being reported as net assets.
- The statement of activities presents information showing how the Consortium's net assets changed during the year.
- The government-wide financial statements are shown on pages 8 and 9 of this report.

Fund Financial Statements

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

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

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

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

Management's Discussion and Analysis

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the Consortium's government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 21 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of West Central Employment and training Consortium, assets exceeded liabilities by \$137,182 at June 30, 2004. Table 1 below provides a summary of the Consortium's net assets for the year ended June 30, 2004.

Table 1
Condensed Statement of Net Assets

	Governmental Activities 2004
Current and other assets	\$ 549,268
Capital assets	49,988
Total assets	599,256
Current liabilities	462,074
Long-term liabilities	0
Total liabilities	462,074
Net assets:	
Invested in capital assets	49,988
Unrestricted	87,194
Total net assets	\$ 137,182

In governmental activities, total assets decreased by \$87,811 including a decrease in cash of \$92,547. Total liabilities decreased \$82,116 primarily due to the \$63,567 decrease in accounts payable.

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

Management's Discussion and Analysis

Change in Net Assets

Table 2 summarizes the change in net assets for the fiscal year 2004.

Table 2
Change in Net Assets

		Percentage of Funding
Revenue:		
Operating grants and contributions	\$ 5,725,582	99.63%
Capital grants and contributions	21,430	0.37%
Total revenue	5,747,012	100.00%
Expenses:		
Job training:		
Administration	415,890	7.23%
Program	207,085	3.60%
Direct administration	269,649	4.69%
Direct client program	1,350,523	23.48%
Direct client participant	355,261	6.18%
Supportive services	546,798	9.51%
WIA services	2,371,089	41.22%
Depreciation-unallocated	27,322	0.47%
Other	209,090	3.63%
Total expenses	5,752,707	100.00%
Change in net assets		
Net assets - beginning of year	(5,695)	
	142,877	
Net assets - end of year	\$ 137,182	

As shown, program revenue in the form of grants provide about 98.60% of the funds for governmental activities, which are expended primarily on core services, intensive services, and direct training. Operating grant revenue for 2004 was \$635,049 or 12.6% more than 2003.

Governmental Funds

The Consortium completed the year with a total governmental fund balance of \$87,194, \$197 more than last year's ending fund balance of \$86,977.

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

Management's Discussion and Analysis

Capital Assets

At the end of the 2004 fiscal year, the Consortium had invested a cumulative of \$252,162 in capital assets, including, vehicles and equipment (see Table 3). Supplementary information about capital assets can be found in Note 4, page 20. The Consortium recognized depreciation expense of \$27,322 for governmental activities. Total accumulated depreciation on these assets was \$202,174.

Table 3
Capital Assets

	2004	2003	% Change
Equipment	\$ 178,782	\$ 174,573	2.41%
Vehicles and signs	73,380	78,410	-6.41%
Accumulated depreciation	(202,174)	(197,103)	2.57%
Totals	\$ 49,988	\$ 55,880	

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

There are a variety of factors concerning the Organization's future in the next 1-3 year period.

- As the need for the services offered by the Consortium continues to increase, the resources, in some cases, have declined or at best held steady.
- The Consortium needs to continue to "raise the bar" in exceeding the annual Performance Standards.
- The Consortium needs to relocate the Big Rapids Service Center due to significant lack of space and parking.
- Both WIA and TANF legislation are operating on extensions. Hopefully, both will be re-authorized during the next Congressional session.
- Looking forward to the newly state approved 12-county Health Care Regional Skill Alliance having a positive impact on labor force related issues in the region, i.e., skill shortages, worker shortages, etc.

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

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

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

Statement of Net Assets

June 30, 2004

Assets:	
Cash	
Grants receivable	\$ 64,310
Prepaid expenses	435,150
Capital assets, net of accumulated depreciation	49,808
	49,988
Total assets	\$ 599,256
Liabilities:	
Accounts payable	
Accrued payroll and related expenses	\$ 419,109
Unearned revenue	18,160
	24,805
Total liabilities	462,074
Net assets:	
Invested in capital assets	
Unrestricted	49,988
	87,194
Total net assets	137,182
Total liabilities and net assets	\$ 599,256

See accompanying notes to financial statements.

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

Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Government Activities
Governmental activities:				
Job training	\$ 5,725,385	\$ 5,725,385	\$ 21,430	\$ 21,430
Total program activities	5,725,385	5,725,385	21,430	21,430
Support services:				
Corporate activities	0	197	0	197
Depreciation	27,322	0	0	(27,322)
Total support services	27,322	197	0	(27,125)
Total governmental activities	\$ 5,752,707	\$ 5,725,582	\$ 21,430	(\$ 5,695)
Change in net assets				(\$ 5,695)
Net assets - June 30, 2003				142,877
Net assets - June 30, 2004				\$ 137,182

See accompanying notes to financial statements.

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

Balance Sheet - Governmental Fund

June 30, 2004

Assets:	
Cash	
Grants receivable	\$ 64,310
Prepaid expenses	435,150
	49,808
Total assets	\$ 549,268
Liabilities:	
Accounts payable	
Accrued payroll and related expenses	\$ 419,109
Unearned revenue	18,160
	24,805
Total liabilities	462,074
Fund balances - unreserved	87,194
Total liabilities and fund balance	\$ 549,268

See accompanying notes to financial statements.

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

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2004

Total fund balance - governmental funds \$ 87,194

Total net assets reported to governmental activities in the statement of net assets are different from the amount reported above as to governmental funds balance because:

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

Governmental capital assets	\$ 252,162	
Governmental accumulated depreciation	(202,174)	
		<u>49,988</u>
Total net assets - governmental activities		<u>\$ 137,182</u>

See accompanying notes to financial statements.

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

**Combined Statement of Revenue, Expenditures, and Changes in
Fund Balance - All Governmental Fund Types
Year Ended June 30, 2004**

Revenue:	
Federal grants	\$ 5,387,548
State grants	279,072
Other revenue	59,902
Match/in kind	20,490
Total revenue	5,747,012
Expenditures:	
Administration	437,320
Program	207,085
Direct administration	269,649
Direct client program	1,350,523
Direct client participant	355,261
Supportive services	546,798
WIA services	2,371,089
Other expenses	188,600
Match/in kind	20,490
Total expenditures	5,746,815
Excess of revenue over expenditures	197
Fund balance - June 30, 2003	86,997
Fund balance - June 30, 2004	\$ 87,194

See accompanying notes to financial statements.

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

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net change in fund balances - total governmental funds		<u>\$ 197</u>
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.		
Capital outlay reported in governmental fund statements	21,430	
Depreciation expense reported in the statement of activities	<u>(27,322)</u>	
Amount by which capital outlays are less than depreciation in the current period		<u>(5,892)</u>
Change in net assets - governmental activities		<u><u>(\$ 5,695)</u></u>

See accompanying notes to financial statements.

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

Statement of Assets and Liabilities - Agency Fund
June 30, 2004

Assets:	
Deferred compensation funds on deposit	\$ 36,173
Total assets	\$ 36,173
Liabilities:	
Compensated leave and vacation payable	\$ 36,173
Total liabilities	36,173
Fund balances - unreserved	0
Total liabilities and fund balance	\$ 36,173

See accompanying notes to financial statements.

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

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

West Central Michigan Employment and Training Consortium (the "Consortium" or the "Organization"), which is a local governmental administrative entity, was organized under the Michigan Department of Labor Instruction Letter No. 84-8 pursuant to Section 103(b)(1) of the Job Training and Partnership Act, PL 97-300 of 1982, as the grant recipient and the administrative entity for the Service Delivery Area which covers the counties and cities below. The Organization was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in the cities of Ludington and Big Rapids and Lake, Mason, Mecosta, Newaygo, and Osceola counties in Michigan. The Organization is primarily supported through federal and state government grants. Approximately 89% of the total funding is federal pass-through funds received from Michigan Department of Labor and Economic Growth.

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

- For the first time, the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Consortium's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Consortium's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Consortium is required to implement the general provisions of the statement for the year ended June 30, 2004.

Basis of Presentation

Government-Wide Financial Statements

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

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

Notes to Financial Statements

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

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Consortium reports the following major governmental funds:

- General Fund – This is the Consortium's primary operating funds. It accounts for all financial activity that is not required to be accounted for in another fund.

In addition, the Consortium reports the following fund type:

- Agency Funds – The Consortium accounts for assets held as an agent for the funded leave compensation plan.

Measurement Focus and Basis of Accounting

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

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

Notes to Financial Statements

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

Measurement Focus and Basis of Accounting (Continued)

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

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

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

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

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

Federal and State Grant Revenue

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

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

Notes to Financial Statements

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

Cost Allocation

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

Use of Estimates

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

Income Taxes

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

Budgetary Accounting

The Consortium receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

Vested Compensation Absences and Payable

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

West Central Michigan Employment and Training Consortium's personnel policy states that accumulated vacation is to be used within one year of the date that it is credited to the employee; therefore, the entire balance of \$36,173 in funded leave and vacation compensation payable is considered a short-term liability and has accordingly been reported on the combined balance sheet of West Central Michigan Employment and Training Consortium at June 30, 2004.

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

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles

Effective July 1, 2003, the Consortium has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. At January 1, 2003, there was no effect on the fund balance as a result of implementation of GASB No. 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. Nonmajor funds would be presented in total in one column in the fund financial statements.

The implementation of GASB Statement No. 34 causes the fund balance at June 30, 2003 to be restated in terms of “net assets” as follows;

Total fund balances – governmental funds – at June 30, 2003	\$ 86,997
Cost of capital assets	252,983
<u>Less accumulated depreciation</u>	<u>(197,103)</u>
<u>Net assets at July 1, 2003</u>	<u>\$ 142,877</u>

Note 2 Cash

West Central Michigan Employment and Training Consortium maintains cash balances at local banks in interest-bearing checking accounts. As of June 30, 2004, the bank balance was \$174,064 and the carrying amount was \$100,483. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 are not collaterally secured by the banks. As of June 30, 2004, the Consortium did not have any deposits in excess of the FDIC coverage.

Due to varying cash flows, West Central Michigan Employment and Training Consortium’s deposits with financial institutions may have been lower or higher during the year than at year-end. Therefore, a portion of deposits may or may not have been uninsured and uncollateralized at points during the year.

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

Notes to Financial Statements

Note 3 Grants Receivable

Grants receivable at June 30, 2004 consisted of the following:

Grant	Amount
Food Stamps	\$ 4,701
DOD - Defense Logistics	11,514
Employment Services	3,274
WIA Adult	88,203
WIA Youth	54,256
WIA Dislocated Worker	142,075
Work First	20,512
Reed Act	20,664
MEDC - Procurement	16,673
Trade Act	73,278
Total	\$ 435,150

Note 4 Fixed Assets

Capital asset balances and activity for the year ended June 30, 2004 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 174,573	\$ 12,980	(\$ 8,770)	\$ 178,783
Vehicles and signs	78,410	8,450	(13,481)	73,379
Total capital assets being depreciated	252,983	21,430	(22,251)	252,162
Less accumulated depreciation for:				
Equipment	(155,751)	(13,491)	8,770	(160,472)
Vehicles and signs	(41,352)	(13,831)	13,481	(41,702)
Total accumulated depreciation	(197,103)	(27,322)	22,251	(202,174)
Governmental activities capital assets, net of accumulated depreciation	\$ 55,880	(\$ 5,892)	\$ 0	\$ 49,988

Note 5 Leases

The Consortium has various lease rental agreements for each of the offices of West Central Michigan Employment and Training Consortium. Payments on agreements during the year ended June 30, 2004 were \$303,445. The leases are cancelable in the event of a loss of funding to the Consortium. Future minimum lease payments on leases having funding contingencies beyond June 30, 2004 are as follows:

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

Notes to Financial Statements

Note 5 **Leases (Continued)**

2005	\$ 323,536
2006	228,552
2007	226,968
2008	226,968
2009	191,964
Thereafter	299,880
<hr/>	
Total	\$ 1,497,868

West Central Michigan Employment and Training Consortium subleases facilities under operating leases. The operating lease revenue for the year ended June 30, 2004 was \$112,653. Future minimum lease receipts on subleases having terms beyond 2004 are as follows:

2005	\$ 112,446
2006	15,936
2007	3,138
<hr/>	
Total	\$ 131,520

Note 6 **Pension Plan**

All employees of West Central Michigan Employment and Training Consortium, except leased employees and interns hired after December 16, 1986, are eligible to participate in a defined contribution money-purchase plan after completing one year of service. West Central Michigan Employment and Training Consortium contributes a percentage of covered wages to the plan. The 2003-2004 required contributions of \$20,861, charged to the year ended June 30, 2004, are 7% of current year covered payroll.

Note 7 **Risk Management**

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

Note 8 **Contingency**

During fiscal year 2002-2003, the Organization has turned over to law enforcement the investigation regarding an alleged fraud relating to federal monies. The preliminary investigation indicated the maximum exposure associated with this alleged fraud was \$31,500. During fiscal year 2003-2004, the perpetrator was convicted of forgery and was imprisoned for 30 days. However, as of the date of the audit report, restitution relating to the federal monies has not been resolved.

Supplementary Information

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

Schedule A-1

Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2004

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE				
FEDERAL FUNDS (Pass-Through Dollars)				
Department of Agriculture				
10.561	Food Assistance Supp. Svc.	Michigan Department of Labor & Economic Growth	\$ 923	\$ 923
10.561	Food Assistance	Michigan Department of Labor & Economic Growth	71,828	62,331
	Subtotal 10.561		72,751	63,253
Department of Defense (Direct Cooperative Agreements)				
12.002	DOD Defense Logistics	Defense Logistics Agency	85,271	0
Department of Labor				
17.207	Employment Services	Michigan Department of Labor & Economic Growth	309,074	226,750
17.245	Trade Act	Michigan Department of Labor & Economic Growth	146,238	143,313
17.253	Welfare-to-Work	Michigan Department of Labor & Economic Growth	168,991	145,003
17.258	WIA Adult	Michigan Department of Labor & Economic Growth	806,323	714,861
17.258	WIA Statewide Youth - Adult	Michigan Department of Labor & Economic Growth	2,475	0
17.258	WIA Statewide Performance Incentive - Adult	Michigan Department of Labor & Economic Growth	784	0
17.258	WIA Statewide Incumbent Worker - Adult	Michigan Department of Labor & Economic Growth	16,559	16,463
17.258	WIA Statewide Capacity Building - Adult	Michigan Department of Labor & Economic Growth	6,970	0
17.258	WIA Adult Administration	Michigan Department of Labor & Economic Growth	63,866	0
	Subtotal 17.258		896,977	731,324
17.259	WIA Youth	Michigan Department of Labor & Economic Growth	689,962	593,618
17.259	WIA Statewide Youth - Youth	Michigan Department of Labor & Economic Growth	3,272	0
17.259	WIA Statewide Performance Incentive - Youth	Michigan Department of Labor & Economic Growth	1,037	0
17.259	WIA Statewide Incumbent Worker - Youth	Michigan Department of Labor & Economic Growth	21,563	21,438
17.259	WIA Statewide Capacity Building - Youth	Michigan Department of Labor & Economic Growth	9,216	0
17.259	WIA Youth Administration	Michigan Department of Labor & Economic Growth	69,284	0
	Subtotal 17.259		794,334	615,056
17.260	WIA Dislocated Worker/Rapid Response	Michigan Department of Labor & Economic Growth	888,266	801,195
17.260	WIA Statewide Youth - Dislocated Worker	Michigan Department of Labor & Economic Growth	2,774	0
17.260	WIA Statewide Performance Incentive - Dislocated Worker	Michigan Department of Labor & Economic Growth	879	0
17.260	WIA Statewide Incumbent Worker - Dislocated Worker	Michigan Department of Labor & Economic Growth	17,755	17,652
17.260	WIA Statewide Capacity Building - Dislocated Worker	Michigan Department of Labor & Economic Growth	7,814	0
17.260	WIA Dislocated Worker Administration	Michigan Department of Labor & Economic Growth	86,145	0
17.260	WIA NEG	Michigan Department of Labor & Economic Growth	189,019	170,117
	Subtotal 17.260		1,192,652	988,964
	Subtotal 17.258, 17.259, and 17.260 Cluster		2,883,963	2,335,344
17.267	WIA Incumbent Worker	Michigan Department of Labor & Economic Growth	18,381	18,274

See Independent Auditor's Report.

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

Schedule A-2

Schedule of Expenditures of Federal Awards and Other Financial Assistance

Year Ended June 30, 2004

CFDA Number	Program Name	Grantor Agency	Total Expenditures	Subcontracted Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)				
FEDERAL FUNDS (Pass-Through Dollars) (Continued)				
Department of Labor (Continued)				
17.UNK	Reed Act/One Stop	Michigan Department of Labor & Economic Growth	60,546	0
17.UNK	Reed Act/Work First	Michigan Department of Labor & Economic Growth	1,131,060	837,156
17.UNK	Reed Act Accessibility	Michigan Department of Labor & Economic Growth	2,010	0
	Subtotal 17.UNK		1,193,616	837,156
Department of Health and Human Services: TANF				
93.558	Work First	Michigan Department of Labor & Economic Growth	550,706	507,740
	Total Federal Assistance		5,428,991	4,276,834
NONFEDERAL PROGRAMS				
N/A	Welfare-to-Work - State Match	Michigan Department of Labor & Economic Growth	130,498	
N/A	MEDC Procurement	Michigan Economic Development Corporation	82,377	
N/A	Partnership for Adult Learning	Michigan Department of Labor & Economic Growth	104,949	
	Subtotal Nonfederal Programs		317,824	
DISCRETIONARY ACTIVITY				
	Corporate expenses		0	
	TOTAL		\$ 5,746,815	

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

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

See Independent Auditor's Report.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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

We have audited the financial statements of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Central Michigan Employment and Training Consortium's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

October 20, 2004
Madison, Wisconsin

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Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance

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

Compliance

We have audited the compliance of West Central Michigan Employment and Training Consortium (d/b/a "Michigan Works! West Central") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. West Central Michigan Employment and Training Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Central Michigan Employment and Training Consortium's management. Our responsibility is to express an opinion on West Central Michigan Employment and Training Consortium's compliance based on our audit.

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

In our opinion, West Central Michigan Employment and Training Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of 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.

Wipfli LLP

Wipfli LLP

October 20, 2004
Madison, Wisconsin

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

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of West Central Michigan Employment and Training Consortium.
2. No reportable conditions relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instance of noncompliance material to the financial statements of West Central Michigan Employment and Training Consortium were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award program for West Central Michigan Employment and Training Consortium expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for West Central Michigan Employment and Training Consortium.
7. The programs tested as major programs were the Department of Labor Employment Services CFDA #17.207 and Workforce Investment Act Cluster of CFDA #17.258, #17.259, and #17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. West Central Michigan Employment and Training Consortium was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

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

Questioned Costs: None

Finding: None



JAMES PINKERTON, Chairperson, Local Elected Officials • JIM SCATENA, Chairperson, Workforce Development Board • PAUL J. GRIFFITH, Executive Director
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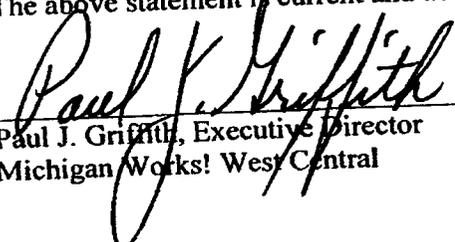
**WEST CENTRAL MICHIGAN
EMPLOYMENT & TRAINING CONSORTIUM
dba, MICHIGAN WORKS! WEST CENTRAL
Big Rapids, Michigan**

**AUDITEE'S RESPONSE TO CURRENT YEAR FINDINGS
For the Year Ended June 30, 2004**

**CURRENT YEAR AUDIT FINDING
FINANCIAL STATEMENTS AUDIT STATUS**

There are no current year findings.

The above statement is current and accurate



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



Date

EAGLE VILLAGE
Youth Employment &
Training Services
Lake, Mason, Mecosta
Newaygo & Osceola Counties

FBR
Adult Employment &
Training Services
Newaygo County

HOPE NETWORK
Adult Employment &
Training Services
Mecosta & Osceola
Counties

HRDI
Adult Employment &
Training Services
Lake and Mason
Counties

NCRESA
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Auxiliary aids and services are available upon request to individuals with disabilities.

MICHIGAN WORKS! WEST CENTRAL

JAMES PINKERTON, Chairperson, Local Elected Officials • JIM SCATENA, Chairperson, Workforce Development Board • PAUL J. GRIFFITH, Executive Director
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WEST CENTRAL MICHIGAN EMPLOYMENT & TRAINING CONSORTIUM dba, MICHIGAN WORKS! WEST CENTRAL Big Rapids, Michigan

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS For the Year Ended June 30, 2003

PRIOR YEAR AUDIT FINDING FINANCIAL STATEMENTS AUDIT STATUS

Unallowable Costs (06003-01) CFDA #17.259

During the year, it came to management's attention that an alleged fraud had occurred at a host worksite of one of their Service Providers. The investigation into the matter is in process. Allegedly a supervisor at the host worksite cashed paychecks of eligible youth funded by Workforce Investment Act Youth funds. He allegedly kept the money and/or used the money to buy recreational items for the residential youth.

Questioned Costs: The preliminary investigation indicates a maximum of \$31,500.

The Osceola County Prosecutor's Office has provided management the following update;

The supervisor has been arrested and appeared in the 77th District Court. He waived his preliminary hearings. A Pre-trial Conference in the 49th Circuit Court is scheduled for March 1, 2004, which will be held in the Judge's Chambers with the Prosecuting and Defense attorneys.

Current Status (October, 2004)

June 3, 2004: The Osceola County Prosecutor's Office sent a letter advising West Central that on May 24, 2004, the Defendant was arraigned in the Osceola County Circuit Court, before Judge Lawrence C. Root, at which he tendered a plea of guilty to Forgery.

July 15, 2004: The Osceola County Prosecutor's Office sent a letter advising West Central that the defendant was convicted of Forgery. Sentencing will occur on August 16, 2004.

July 16, 2004: Michigan Works! West Central provided a letter to Circuit Court Judge Lawrence C. Root, to provide background information and Michigan Works! West Central's views on the issue of Restitution.

EAGLE VILLAGE
Youth Employment &
Training Services
Lake, Mason, Mecosta
Newaygo & Osceola Counties



FBR
Adult Employment &
Training Services
Newaygo County



HOPE NETWORK
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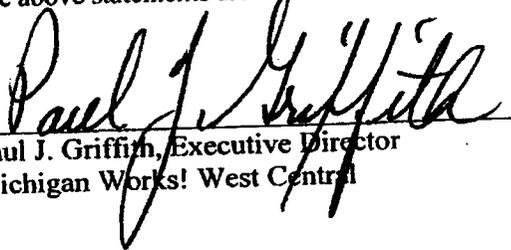
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Auxiliary aids and services are available upon request to individuals with disabilities.

August 16, 2004: The defendant was sentenced by Visiting Circuit Court Judge James Carr to 30 days in jail and court costs. Restitution is to be determined by a Restitution Hearing at a later date set by the Circuit Court.

October 6, 2004: The Osceola County Prosecutor's Office sent a letter advising West Central that the Restitution Hearing will be held December 28, 2004.

The above statements are current and accurate.


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

11/8/04
Date