

AUDITING PROCEDURES REPORT

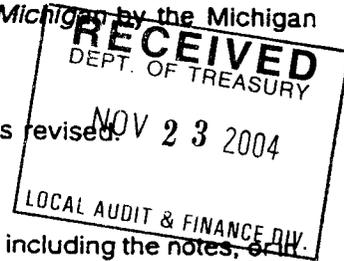
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Thumb Area Employment Training Consortium	County Sanilac
Audit Date 6/30/04	Opinion Date 10/1/04	Date Accountant Report Submitted to State: 11-22-04	

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 notes, or 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.	XX		
Reports on individual federal financial assistance programs (program audits).			XX
Single Audit Reports (ASLGU).	XX		

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THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

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REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 1, 2004

The Board of Directors
Thumb Area Employment and
Training Consortium
Marlette, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of ***Thumb Area Employment and Training Consortium*** (the "Consortium") as of and for the year ended June 30, 2004, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Consortium as of June 30, 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV C, the Authority adopted the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; *Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; *Statement No. 38, Certain Financial Statement Note Disclosures*; and *GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003. This resulted in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-9 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 consisted principally of inquiries of management regarding the 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents management's discussion and analysis of Thumb Area Employment and Training Consortium's (hereon referred to as "the Consortium") performance during the fiscal year ending June 30, 2004. Please read this along with the financial statements of the Consortium. Normally, a comparison of current year to prior year financial information is provided. However, since this is the first year of presentation, prior year information is not available. In future years, a comparative analysis of government-wide data will be presented.

Financial Highlights

- The assets of the Consortium exceeded its liabilities at the close of the June 30, 2004, fiscal year by \$143,600 (net assets). Of this amount, \$131,160 (unrestricted net assets) may be used to meet the government's ongoing obligations for Consortium programs.
- The General Fund received \$5,891,120 in revenues and had \$5,898,110 in expenditures. The General Fund's fund balance declined to \$143,160 from \$150,150.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$131,160 or 2% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding of the Consortium's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government -Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Consortium's assets and liabilities, with the differences between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 or objectives. Thumb Area Employment and Training

Consortium, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Consortium maintains one governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Thumb Area Employment and Training Consortium adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 32-43 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$143,160 at the end of the June 30, 2004 fiscal year.

Summary of Net Assets

Assets	
Current Assets	\$ 572,745
Capital Assets, net	<u>12,000</u>
Total assets	<u><u>584,745</u></u>
Liabilities	
Current Liabilities	<u>441,585</u>
Net Assets	

Invested in capital assets	12,000
Unrestricted	<u>131,160</u>
Total Net Assets	<u>\$ 143,160</u>

The net assets is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$12,000 or 8% of net assets and unrestricted net assets of \$131,160 or 92% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Consortium's net assets decreased by \$6,990, during the current fiscal year. Most of this decrease largely reflects the degree to which ongoing expenses exceeded ongoing revenues, specifically depreciation which is not funded by grant sources.

Statement of Activities

Revenue

Federal grant revenue	\$ 5,756,825
State grant revenue	132,940
Interest	<u>1,355</u>
Total revenue	<u>5,891,120</u>

Function/Program expenses

Administration	481,303
Direct training	121,008
Supportive services	302,315
Case management and client services	3,968,813
In-School	188,956
Out-of-School	702,088
Other program expenses	124,774
Corporate expenses	2,553
Unallocated depreciation	<u>6,300</u>
Total Expenses	<u>5,898,110</u>

Increase (decrease) in Net Assets \$ (6,990)

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

Summary of Fund Financial Statements

Governmental fund. As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Consortium's governmental fund reported an ending fund balance of \$143,160, a decrease of \$6,990 from the prior year. 92% or \$131,160 of the fund

balance constitutes unreserved fund balance, which is available for spending at the Consortium's discretion.

The decrease in the fund balance of \$6,990 indicates that expenditures were about equal to revenues for the year. The decrease is primarily related to unrecorded depreciation on net assets.

General Fund Budget

By law, the Consortium must establish an original budget in June, with a beginning fiscal date of July 1, for the General Fund. Budgets are revised when necessary, depending on grant/funding source adjustments. Approximately 99% of the Consortium's revenue comes from the Michigan Department of Career Development (specific program grants).

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$5,891,120 in revenues and had \$5,891,810 in expenditures. The General Fund's fund balance declined to \$131,160 from \$131,850.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$131,160 or 2% of total General Fund expenditures.

The actual General Fund expenditures were within 73% of the final budget amounts. The decrease in the actual General Fund revenues and expenditures from the final budgeted amounts is due to the fact that several of the grants are on an October to September fiscal year. Thus, the budget for these programs is for two of the Consortium's fiscal years and the unspent portion is carried over to the subsequent fiscal year.

Capital Assets

As of June 30, 2004, the Consortium had \$12,000 in capital assets consisting of various pieces of equipment.

Capital Assets (net of depreciation) June 30, 2004

Equipment	\$ 35,500
Less accumulated depreciation	<u>(23,500)</u>
Net Capital Assets	<u>\$ 12,000</u>

Economic Factors and Next Year's Budget

This section should include any items used in preparing the 2004-05 budget, such as new grant programs or any reduced funding.

Requests for Information

This financial report is designed to provide a general overview of the Consortium's finances, and to demonstrate the Consortium's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Fiscal Controller, Thumb Area Employment and Training Consortium, 3720 Wilson, Marlette, MI 48453.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Marlette, Michigan

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET JUNE 30, 2004

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 310,893	\$ -	\$ 310,893
Grants receivable	261,852	-	261,852
Capital assets, net	-	12,000	12,000
	<u>\$ 572,745</u>	<u>12,000</u>	<u>584,745</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 321,234	-	321,234
Accrued payroll and related expenses	18,438	-	18,438
Unearned revenue	101,913	-	101,913
	<u>441,585</u>	<u>-</u>	<u>441,585</u>
TOTAL LIABILITIES			
FUND BALANCE			
Unreserved fund balance	131,160	(131,160)	-
	<u>131,160</u>	<u>(131,160)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 572,745</u>		
NET ASSETS			
Invested in capital assets		12,000	12,000
Unrestricted		131,160	131,160
		<u>143,160</u>	<u>143,160</u>
TOTAL NET ASSETS		<u>\$ 143,160</u>	<u>\$ 143,160</u>

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

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Marlette, Michigan

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUE			
Grant Revenue			
Federal grant revenue	\$ 5,756,825	\$ -	\$ 5,756,825
State grant revenue	132,940	-	132,940
Total grant revenue	<u>5,889,765</u>	<u>-</u>	<u>5,889,765</u>
Interest income	1,355	-	1,355
Total Revenue	<u>5,891,120</u>	<u>-</u>	<u>5,891,120</u>
EXPENDITURES / EXPENSES			
Program Expenditures			
Administration	481,303	-	481,303
Direct training	121,008	-	121,008
Supportive services	302,315	-	302,315
Program	3,968,813	-	3,968,813
In-School	188,956	-	188,956
Out-of-School	702,088	-	702,088
Other	124,774	-	124,774
Total program expenditures	<u>5,889,257</u>	<u>-</u>	<u>5,889,257</u>
Corporate	2,553	-	2,553
Depreciation	-	6,300	6,300
Total Expenditures / Expenses	<u>5,891,810</u>	<u>6,300</u>	<u>5,898,110</u>
Net change in fund balance	(690)	690	
Change in net assets		(6,990)	(6,990)
Fund balance / net assets - July 1, 2003	<u>131,850</u>	<u>18,300</u>	<u>150,150</u>
FUND BALANCE / NET ASSETS - JUNE 30, 2004	<u>\$ 131,160</u>	<u>\$ 12,000</u>	<u>\$ 143,160</u>

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

FUND FINANCIAL STATEMENTS

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Marlette, Michigan

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
REVENUE				
Grant Revenue				
Federal grant revenue	\$ 8,906,925	\$ 7,825,448	\$ 5,756,825	\$ (2,068,623)
State grant revenue	208,577	208,577	132,940	(75,637)
Total grant revenue	9,115,502	8,034,025	5,889,765	(2,144,260)
Interest income	-	-	1,355	1,355
Total Revenue	<u>9,115,502</u>	<u>8,034,025</u>	<u>5,891,120</u>	<u>(2,142,905)</u>
EXPENDITURES				
Program Expenditures				
Administration	923,228	882,984	481,303	(401,681)
Direct training	2,370,966	1,177,946	121,008	(1,056,938)
Supportive services	442,174	421,117	302,315	(118,802)
Case management and client services	4,162,026	4,314,655	3,968,813	(345,842)
In-School	400,000	400,000	188,956	(211,044)
Out-of-School	635,000	657,598	702,088	44,490
Other	182,108	179,725	124,774	(54,951)
Total Program Expenditures	9,115,502	8,034,025	5,889,257	(2,144,768)
Corporate	-	-	2,553	2,553
Total Expenditures	<u>9,115,502</u>	<u>8,034,025</u>	<u>5,891,810</u>	<u>(2,142,215)</u>
Net change in fund balance	-	-	(690)	(690)
Fund balance - July 1, 2003	131,850	131,850	131,850	-
FUND BALANCE - JUNE 30, 2004	<u>\$ 131,850</u>	<u>\$ 131,850</u>	<u>\$ 131,160</u>	<u>\$ (690)</u>

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

NOTES TO FINANCIAL STATEMENTS

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of **Thumb Area Employment and Training Consortium** (the "Consortium"), a consortium of governments organized in 1983 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies of the Consortium are described below.

A. Reporting Entity

As indicated above, the Consortium is a consortium of governments, and includes the counties of Tuscola, Lapeer, Huron, and Sanilac. The Consortium is primarily supported through federal and state grants, approximately 99% of which is provided by the Michigan Department of Labor and Economic Growth. The Consortium is not a component unit of the aforementioned counties and has no entities included in its financial statements as component units.

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. *Governmental activities*, which normally are used to account for the receipt and disbursement of monies for general operations, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Consortium has no business-type activities.

The general fund is the Authority's only major fund and is reported as a separate column in the financial statements.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium reports the following major governmental fund:

The *general fund* is the Consortium's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund. There are no financial resources currently required to be accounted for in another fund.

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

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

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and amounts deposited in savings accounts.

Michigan law authorizes the Consortium to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

2. Grant Receivables and Unearned Revenue

Grants are recorded as invoiced to the funding source. Revenue is recognized in the accounting period when the related expenditure is incurred. Receivables are recorded for those grants where expenditures are in excess of the cash received at year-end. Unearned revenue is recorded for those grants where grant proceeds were received in excess of expenditures incurred at year-end.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

3. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Consortium are depreciated using the straight line method over 5-10 year lives.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted for each of the Consortium's programs and are amended as funding levels change.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposits are carried at cost. Deposits of the Consortium are at various banks in the name of the Consortium's Executive Director. The carrying amount of the deposits was \$310,893 at June 30, 2004.

The bank balances are categorized to give an indication of the level of risk assumed by the Consortium at year-end as follows:

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

	<u>Bank balances</u>
Amount insured by the FDIC	\$ 200,647
Uncollateralized and uninsured	190,899
Total	\$ 391,546

B. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 44,629	\$ -	\$ (9,129)	\$ 35,500
Less accumulated depreciation				
Equipment	(26,329)	(6,300)	9,129	(23,500)
Total capital assets being depreciated, net	\$ 18,300	\$ (6,300)	\$ -	\$ 12,000

C. Operating Leases

The Consortium leases various facilities for operation of its programs. Rent expense for the office facilities was \$142,877 for the year ended June 30, 2004.

The Consortium's future minimum rental commitments for office facilities at June 30, 2004, is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2005	\$ 95,794
2006	65,573
2007	63,600
Total	\$ 224,967

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk Management

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During the year ended June 30, 2004, the Consortium carried commercial insurance to cover all risks of losses. The Consortium had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

B. Retirement Plan

All full-time employees of the Consortium are covered by the Thumb Area Employment and Training Consortium Retirement Plan, a defined contribution pension plan. The Board voted to contribute double the employees' IRA contributions up to \$2,000 per employee. Benefits vest 100 percent immediately. Plan provisions and contribution requirements are established and may be amended by the Board. The Plan is administered by the various financial institutions that house the employees' IRA accounts. Employer contributions for the year ended June 30, 2004, amounted to \$20,000. In addition, \$10,000 of employee contributions were made.

C. Restatements

Implementation of new accounting standards

As of and for the year ended June 30, 2004, the Consortium implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Consortium was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
 -
 - Basic financial statements that include:
 -
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balance of general fund as of 6/30/03	\$ 131,850
Add: governmental capital assets, as of 6/30/03	44,629
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	<u>(26,329)</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 150,150</u>

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

D. Commitments And Contingencies

In the normal course of operations, the Consortium becomes a party to various claims and lawsuits. In the opinion of the legal council and Consortium management, the ultimate resolution of such matters will not have a material effect on the financial position of the Consortium. There were no pending claims or lawsuits during the year ended June 30, 2004.

In addition, the Consortium has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

E. Adjustments

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 131,160
Adjustments:	
Capital assets	35,500
Accumulated depreciation	<u>(23,500)</u>
Net assets of governmental activities	<u>\$ 143,160</u>

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles changes in fund balance to net assets:

Change in fund balance	\$ (690)
Adjustments:	
Depreciation expense	<u>(6,300)</u>
Change in net assets	<u>\$ (6,990)</u>

* * * * *

SINGLE AUDIT SECTION

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM
 Mariette, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2004**

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE						
Department of Agriculture						
10.561	N/A	State Administrative Matching Grants For Food Stamp Program	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	\$ 50,113	\$ 5,338
10.561	N/A	State Administrative Matching Grants For Food Stamp Program	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	38,360	4,630
		Subtotal 10.561				<u>9,968</u>
Department of Defense						
12.002	SP4800-00-2-0033	Procurement Technical Assistance For Business Firms	Warren, Centerline, Sterling Heights Chamber of Commerce	10/01/02-09/30/03	30,000	6,792
12.002	SP4800-01-2-0117	Procurement Technical Assistance For Business Firms	Warren, Centerline, Sterling Heights Chamber of Commerce	10/01/03-09/30/04	30,000	24,461
		Subtotal 12.002				<u>31,253</u>
Department of Labor						
17.207	N/A	Employment Service	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	423,206	329,724
17.207	N/A	Reemployment Service	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	24,384	24,384
		Subtotal 17.207				<u>354,108</u>
17.245	N/A	Trade Adjustment Assistance	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	2,161,565	339,583
17.245	N/A	Trade Adjustment Assistance	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	248,543	230,081
		Subtotal 17.245				<u>569,663</u>
17.253	N/A	Welfare-to-Work	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	201,034	14,584
17.253	N/A	Welfare-to-Work	Michigan Dept. of Labor & Econ. Growth	10/01/03-01/23/04	195,004	58,745
		Subtotal 17.253				<u>73,328</u>
17.258/17.259/17.260	N/A	WIA Administration	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	408,996	234,230
17.258/17.259/17.260	N/A	Statewide Activities	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	64,237	61,428
17.258/17.259/17.260	N/A	Statewide Activities	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	24,000	24,000
		Subtotal 17.258/17.259/17.260				<u>319,658</u>
17.258	N/A	WIA Adult	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	1,399,000	1,206,336
17.259	N/A	WIA Youth	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	1,057,598	890,988
17.260	N/A	WIA Dislocated Worker	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	1,100,792	820,044
17.260	N/A	WIA NEG	Michigan Dept. of Labor & Econ. Growth	07/01/03-06/30/04	188,511	188,511
17.260	N/A	WIA NEG	Michigan Dept. of Labor & Econ. Growth	07/01/03-09/30/04	177,300	16,700
		Subtotal 17.260				<u>1,025,255</u>

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

Mariette, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2004

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (continued)						
Reed Act Distribution						
N/A	N/A	Reed Act-Work First	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	\$ 850,083	\$ 247,434
N/A	N/A	Reed Act-Work First	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	774,934	504,240
N/A	N/A	Reed Act-Service Center Operations	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	94,790	70,713
		Subtotal Unknown				<u>822,387</u>
Department of Education						
Department of Health and Human Services						
93.558	N/A	Work First	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	431,722	150,121
93.558	N/A	Work First	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	347,725	296,885
93.558	N/A	Work First	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	6,875	6,875
		Subtotal 93.558				<u>453,881</u>
		Total Federal Programs				<u>5,756,825</u>
Other State and Local Programs						
N/A	N/A	Food Stamps Only	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	30,000	212
N/A	N/A	Food Stamps Only	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	1,818	590
N/A	N/A	Welfare-to-Work	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	100,517	7,292
N/A	N/A	Welfare-to-Work	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	97,502	29,372
N/A	801P8002318	Technical Assistance	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	32,500	8,329
N/A	085P1000073	Technical Assistance	Michigan Dept. of Labor & Econ. Growth	10/01/03-09/30/04	32,500	24,461
N/A	N/A	GF/GP One Stop	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	4,116	2,862
N/A	N/A	Partnership for Adult Learning	Michigan Dept. of Labor & Econ. Growth	10/01/02-09/30/03	121,848	58,860
		Total Other State and Local Programs				<u>131,977</u>
Unrestricted Activity						
		TOTAL				<u>2,553</u>
						<u>\$ 5,891,355</u>

Reconciliation of Expenditures with Statement of Revenues, Expenditures and Changes in Fund

Balance:	
Expenditures on Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 5,891,810
Interest income related expenditures	(455)
Expenditures on this schedule	<u>\$ 5,891,355</u>



REHMANN ROBSON

Certified Public Accountants

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

October 1, 2004

The Board of Directors
Thumb Area Employment and
Training Consortium
Marlette, Michigan

We have audited the financial statements of the *Thumb Area Employment and Training Consortium*, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 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.

Compliance

As part of obtaining reasonable assurance about whether the *Thumb Area Employment and Training Consortium* basic 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Thumb Area 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 considered to be material weaknesses.

This report is intended solely for the information and use of management, the Finance Committee and the *Thumb Area Employment and Training Consortium* Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Johnson



REHMANN ROBSON

Certified Public Accountants

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

October 1, 2004

The Board of Directors
Thumb Area Employment and
Training Consortium
Marlette, Michigan

Compliance

We have audited the compliance of the *Thumb Area 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 *Thumb Area Employment and Training Consortium's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *Thumb Area Employment and Training Consortium's* management. Our responsibility is to express an opinion on the *Thumb Area 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 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 *Thumb Area 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 the *Thumb Area Employment and Training Consortium's* compliance with those requirements.

In our opinion, the *Thumb Area 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 the *Thumb Area 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 the *Thumb Area 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 the finance committee, others within the organization, Board of Directors, 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.



THUMB AREA 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 on basic financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? _____ yes no

Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes no

Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

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 Circular A-133, Section 510(a)?

_____ yes no

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

17.207

Employment Service

17.258/17.259/17.260

Workforce Investment Act

Unknown

Reed Act

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

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

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

· FOR THE YEAR ENDED JUNE 30, 2004

There were no audit findings in the prior year.



REHMANN ROBSON

Certified Public Accountants

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October 1, 2004

To the Board of Directors
Thumb Area Employment
and Training Consortium
Marlette, Michigan

In planning and performing our audit of the general purpose financial statements of the ***Thumb Area Employment and Training Consortium*** for the year ended June 30, 2004, we considered the Consortium's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal control and compliance. The memorandum that accompanies this letter summarizes our comment and suggestion regarding this matter. This letter does not affect our report dated October 1, 2004, on the financial statements of the ***Thumb Area Employment and Training Consortium***.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with the Fiscal Controller, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

We wish to thank the management and personnel for their support and assistance during the audit of the ***Thumb Area Employment and Training Consortium***.

Rehmann Robson

THUMB AREA EMPLOYMENT AND TRAINING CONSORTIUM

COMMENTS AND RECOMMENDATIONS

A) INVESTMENT POLICY

Public Act 20 of 1943, as amended by PA 196 of 1997, requires that all local units of government adopt a written investment policy.

We recommend that the Consortium adopt an investment policy in order to comply with the Public Act. Attached is a copy of a sample policy for your reference and to assist you in developing your investment policy.