

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: Downriver Community Conference	County Wayne
Audit Date September 30, 2003	Opinion Date January 5, 2004	Date Accountant Report Submitted To State: January 29, 2004	

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 in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | | |
|---|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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]) |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Downriver Community Conference
(a local government consortium)

Financial Report
with Additional Information
September 30, 2003

Downriver Community Conference

Contents

Report Letter	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenue, Expenditures, and Changes in Fund Deficit - All Governmental Fund Types	3
Combined Statement of Revenue, Expenditures, and Changes in Fund Deficit - Budget and Actual - General Fund and Central Diagnostic and Referral Fund (Special Revenue Fund)	4
Statement of Revenue, Expenses, and Changes in Accumulated Deficit - Proprietary Fund Type (Building and Equipment Fund)	5
Statement of Cash Flows - Proprietary Fund Type (Building and Equipment Fund)	6
Notes to Financial Statements	7-16
Report Letter	17
Additional Information	
Special Revenue Funds:	
Combining Balance Sheet	18
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit)	19



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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the accompanying general purpose financial statements of Downriver Community Conference (DCC) (a local government consortium) as of September 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Downriver Community Conference'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 of America and *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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of DCC as of September 30, 2003 and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2004 on our consideration of DCC's internal control over financial reporting and on our test 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.

Plante & Moran, PLLC

January 5, 2004

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Downriver Community Conference

Combined Balance Sheet All Fund Types and Account Groups September 30, 2003

	Governmental Fund Types		Proprietary Fund Type	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Enterprise Fund - Building and Equipment	General Fixed Assets	
Assets					
Cash and investments (Note 2)	\$ 121,823	\$ 436,081	\$ -	\$ -	\$ 557,904
Due from other funds (Note 3)	-	165,970	28,700	-	194,670
Due from other governmental units	61,457	823,726	-	-	885,183
Other current assets	1,398	-	-	-	1,398
Restricted assets (Note 4)	-	-	264,289	-	264,289
Capital assets (Note 5)	-	-	1,986,521	1,664,598	3,651,119
Rent receivable	-	-	35,742	-	35,742
Total assets	\$ 184,678	\$ 1,425,777	\$ 2,315,252	\$ 1,664,598	\$ 5,590,305
Liabilities and Fund Equity (Deficit)					
Liabilities					
Bank overdraft	\$ -	\$ 264,171	\$ 217,425	\$ -	\$ 481,596
Accrued liabilities	50,207	819,217	65,203	-	934,627
Due to other funds (Note 3)	134,471	60,199	-	-	194,670
Deferred revenue (Note 6)	-	415,820	-	-	415,820
Security deposits	-	-	38,246	-	38,246
Note payable (Note 8)	-	-	2,257,408	-	2,257,408
Total liabilities	184,678	1,559,407	2,578,282	-	4,322,367
Fund Equity (Deficit)					
Investment in general fixed assets	-	-	-	1,664,598	1,664,598
Accumulated deficit - Unreserved	-	-	(263,030)	-	(263,030)
Fund deficit	-	(133,630)	-	-	(133,630)
Total fund equity (deficit)	-	(133,630)	(263,030)	1,664,598	1,267,938
Total liabilities and fund equity (deficit)	\$ 184,678	\$ 1,425,777	\$ 2,315,252	\$ 1,664,598	\$ 5,590,305

Downriver Community Conference

Combined Statement of Revenue, Expenditures, and Changes in Fund Deficit All Governmental Fund Types Year Ended September 30, 2003

	General	Special Revenue	Total (Memorandum Only)
Revenue			
Federal grants	\$ 29,693	\$ 3,620,388	\$ 3,650,081
State and local grants	319,696	3,352,779	3,672,475
Membership assessments	85,500	-	85,500
Charges for services	108,596	473,467	582,063
Interest	301	-	301
Contributions	13,766	-	13,766
Other	<u>67,352</u>	<u>-</u>	<u>67,352</u>
Total revenue	624,904	7,446,634	8,071,538
Expenditures			
Wages	85,441	2,890,738	2,976,179
Fringe benefits	17,592	882,941	900,533
Contracted services	293,819	1,714,186	2,008,005
Building rent and maintenance	42,111	638,938	681,049
Professional fees	20,991	320,592	341,583
Capital outlay	17,350	63,420	80,770
Other	<u>156,701</u>	<u>804,036</u>	<u>960,737</u>
Total expenditures	<u>634,005</u>	<u>7,314,851</u>	<u>7,948,856</u>
Excess of Revenue Over (Under) Expenditures	(9,101)	131,783	122,682
Other Financing Sources (Uses)			
Operating transfers in	32,438	49,624	82,062
Operating transfers out	<u>-</u>	<u>(82,062)</u>	<u>(82,062)</u>
Total other financing sources (uses)	<u>32,438</u>	<u>(32,438)</u>	<u>-</u>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Uses	23,337	99,345	122,682
Fund Deficit - October 1, 2002	<u>(23,337)</u>	<u>(232,975)</u>	<u>(256,312)</u>
Fund Deficit - September 30, 2003	<u>\$ -</u>	<u>\$ (133,630)</u>	<u>\$ (133,630)</u>

Downriver Community Conference

Combined Statement of Revenue, Expenditures, and Changes in Fund Deficit Budget and Actual - General Fund and Central Diagnostic and Referral Fund (Special Revenue Fund) Year Ended September 30, 2003

	General Fund			Special Revenue Fund - Central Diagnostic and Referral Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenue						
Federal grants	\$ 29,693	\$ 29,693	\$ -	\$ -	\$ -	\$ -
State grants	372,491	319,696	(52,795)	-	-	-
Membership assessments	85,500	85,500	-	-	-	-
Charges for services	63,000	108,596	45,596	487,670	449,292	(38,378)
Interest	291	301	10	-	-	-
Contributions	31,840	13,766	(18,074)	-	-	-
Other income	74,600	67,352	(7,248)	-	-	-
Total revenue	657,415	624,904	(32,511)	487,670	449,292	(38,378)
Expenditures						
Wages	105,588	85,441	20,147	265,000	258,500	6,500
Fringe benefits	19,450	17,592	1,858	86,345	87,742	(1,397)
Contracted services	312,061	293,819	18,242	-	-	-
Building rent and maintenance	58,100	42,111	15,989	60,800	42,104	18,696
Professional fees	18,015	20,991	(2,976)	18,000	25,519	(7,519)
Capital outlay	-	17,350	(17,350)	1,575	2,064	(489)
Other	139,287	156,701	(17,414)	55,950	71,518	(15,568)
Total expenditures	652,501	634,005	18,496	487,670	487,447	223
Excess of Revenue Over (Under) Expenditures						
	4,914	(9,101)	(14,015)	-	(38,155)	(38,155)
Other Financing Sources - Operating transfers in						
	-	32,438	32,438	-	49,624	49,624
Excess of Revenue and Other Financing Sources Over Expenditures						
	4,914	23,337	18,423	-	11,469	11,469
Fund Deficit - October 1, 2002						
	(23,337)	(23,337)	-	(11,469)	(11,469)	-
Fund Deficit - September 30, 2003						
	\$ (18,423)	\$ -	\$ 18,423	\$ (11,469)	\$ -	\$ 11,469

Downriver Community Conference

Statement of Revenue, Expenses, and Changes in Accumulated Deficit - Proprietary Fund Type (Building and Equipment Fund) Year Ended September 30, 2003

Operating Revenue	
Maintenance fees	\$ 604,300
Rent	385,930
Reimbursements	<u>61,074</u>
Total operating revenue	1,051,304
Operating Expenses	
Wages	245,584
Fringe benefits	73,575
Professional fees	145,679
Maintenance and repairs	190,728
Depreciation	176,727
Other	129,057
Utilities	<u>133,981</u>
Total operating expenses	<u>1,095,331</u>
Operating Loss	(44,027)
Nonoperating Revenue (Expense)	
Interest income	1,341
Interest expense	<u>(117,415)</u>
Total nonoperating expense	<u>(116,074)</u>
Net Loss	(160,101)
Accumulated Deficit - October 1, 2002	<u>(102,929)</u>
Accumulated Deficit - September 30, 2003	<u>\$ (263,030)</u>

Downriver Community Conference

Statement of Cash Flows Proprietary Fund Type (Building and Equipment Fund) Year Ended September 30, 2003

Cash Flows from Operating Activities	
Operating loss	\$ (44,027)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	176,727
Changes in assets and liabilities:	
Decrease in rent receivable	26,497
Increase in accrued liabilities	19,787
Decrease in security deposits	<u>(687)</u>
Net cash provided by operating activities	178,297
Cash Flows from Capital and Related Financing Activities	
Purchase of fixed assets	(478,012)
Principal and interest paid on long-term debt	(1,733,736)
Proceeds from issuance of long-term debt	<u>2,300,000</u>
Net cash provided by capital and related financing activities	88,252
Cash Flows from Noncapital Financing Activities - Decrease in bank overdraft	(53,676)
Cash Flows from Investing Activities - Interest income received	<u>1,341</u>
Net Increase in Cash	214,214
Cash - October 1, 2002	<u>50,075</u>
Cash - September 30, 2003	<u>\$ 264,289</u>
Reconciliation of Cash to Balance Sheet - Restricted cash	\$ 264,289

Downriver Community Conference

**Notes to Financial Statements
September 30, 2003**

Note I - Summary of Significant Accounting Policies

Downriver Community Conference (“DCC”) is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 18 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments against member communities and grants through various State and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC’s financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with this criteria, there are no legally separate component units included in the reporting entity.

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

Fund Accounting

The accounts of DCC are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund - The General Fund is used to account for all ordinary and central administrative activities of DCC not accounted for in another fund. Revenue is derived primarily from central cost allocation charges to other funds, member assessments, grants, and interest earnings. Certain expenditures have been charged to other funds on various bases and assumptions.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2003**

Note I - Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - The following funds are used to account for special governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action:

Central Diagnostic and Referral (CDR)
Employment and Training
Economic Development
Weatherization
Transportation

Proprietary Fund

Enterprise Fund - Building and Equipment Fund - The Building and Equipment Fund accounts for the building, improvements, and certain equipment. Revenue is derived from charges to other funds and unrelated tenants for rent and maintenance.

Basis of Accounting

The accrual basis of accounting is used by the Building and Equipment Fund. The General Fund and Special Revenue Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.
- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenditures.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. These fixed assets are recorded as expenditures at the time of purchase. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2003**

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds. The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations. There are no balances in the General Long-term Debt Account Group at September 30, 2003.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in that fund. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis.

Cash Equivalents - For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

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

Ford Foundation - In the prior year, the audit opinion was qualified due to the omission of the Ford Foundation, a component unit of DCC. The Ford Foundation was a nonexpendable trust fund that accounted for certain investments and debt related to funds advanced to DCC many years ago. Prior to September 30, 2003, the investments were liquidated and DCC was released from the debt in accordance with the terms of the agreement with the Ford Foundation.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

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

Other accounting policies are disclosed in other notes to the financial statements.

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 2 - Deposits and Investments

DCC's deposits and investments at September 30, 2003 are included on the balance sheet at \$822,193 under cash and investment and restricted asset classifications.

DCC's cash and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 804,341
Investments in mutual funds	<u>17,852</u>
Total	<u>\$ 822,193</u>

Deposits - DCC's deposits at September 30, 2003 (including both restricted and unrestricted cash) were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$979,402. Of that amount, \$100,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, DCC evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - DCC is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. Investments consist solely of mutual funds. Investments are normally categorized to give an indication of the level of risk assumed by DCC; however, the mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC, and management of DCC believes that the investments in these funds comply with the investment authority noted above.

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 3 - Interfund Receivables

Interfund receivables at September 30, 2003 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 134,471
Special Revenue Fund	165,970	60,199
Enterprise Fund - Building and Equipment Fund	<u>28,700</u>	<u>-</u>
Total interfund receivables	<u>\$ 194,670</u>	<u>\$ 194,670</u>

Note 4 - Restricted Assets

Restricted assets recorded in the Building and Equipment Fund at September 30, 2003 consist of funds maintained in a separate Building and Equipment Fund bank account. Under an agreement with the bank dated December 31, 1997, DCC must deposit \$3,065 per month into the account in addition to the principal and interest requirements. DCC is required to maintain a balance in the account of at least \$35,000. If the balance falls below \$35,000 due to bank-approved withdrawals, the balance is to be replenished through subsequent monthly deposits. During the year, DCC deposited a portion of the funds from the new mortgage (see Note 8) into this account. The balance in this account after principal and interest payments is \$264,289. The balance of restricted assets consists of amounts resulting from the issuance of debt; therefore retained earnings are not reserved.

Note 5 - Capital Assets

A summary of general fixed assets follows:

	Balance October 1, 2002	Additions	Deletions	Balance September 30, 2003
Building improvements	\$ 7,280	\$ -	\$ -	\$ 7,280
Automobiles	42,149	-	-	42,149
Furniture and equipment	<u>1,577,740</u>	<u>46,827</u>	<u>(9,398)</u>	<u>1,615,169</u>
Total	<u>\$ 1,627,169</u>	<u>\$ 46,827</u>	<u>\$ (9,398)</u>	<u>\$ 1,664,598</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 5 - Capital Assets (Continued)

A summary of the proprietary fund fixed assets at September 30, 2003 is as follows:

	Amount	Depreciable Life - Years
Land	\$ 388,000	-
Buildings and building improvements	3,264,135	30
Equipment	37,572	7-15
Total	3,689,707	
Less accumulated depreciation	(1,703,186)	
Net	<u>\$ 1,986,521</u>	

Note 6 - Deferred Revenue

Deferred revenue at September 30, 2003 is as follows:

	Advances on Grants	Revenue Not Available to Finance Current Expenditures	Total
Special Revenue Funds:			
Employment and Training Fund	\$ 232,705	\$ 28,057	\$ 260,762
Economic Development Fund	4,058	138,415	142,473
Weatherization Fund	12,454	-	12,454
Transportation	131	-	131
Total deferred revenue	<u>\$ 249,348</u>	<u>\$ 166,472</u>	<u>\$ 415,820</u>

Advances on Grants - DCC receives funds from the federal and State governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2003 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 6 - Deferred Revenue (Continued)

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

Note 7 - Employee Benefits

Per Board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2003, DCC's total payroll was approximately \$2,976,000. Current year contributions were as follows:

Employees' contribution	\$ 197,000
Employer's contribution	<u>98,000</u>
Total	<u>\$ 295,000</u>

Note 8 - Note Payable and Long-term Debt

Building Note

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. This note has a stated interest rate of 6.27 percent and is collateralized by the building and assignment of leases. The balance of the note at September 30, 2003 is \$2,257,408. The note requires monthly principal and interest payments of \$22,878 until May 2, 2008. The balance of the building note is payable May 2, 2008.

Prior to refinancing on May 2, 2003, DCC had a promissory note with a bank for \$1,958,973 at 8 percent. The note had a balance of \$1,524,425 when it was refinanced.

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 8 - Note Payable and Long-term Debt (Continued)

Changes in Debt

The following is a summary of long-term debt transactions of DCC for the year ended September 30, 2003:

	General Obligations	Proprietary Fund - Building and Equipment	Total
Balance - October 1, 2002	\$ 7,090	\$ 1,573,729	\$ 1,580,819
Proceeds from issuance of debt	-	2,300,000	2,300,000
Debt retired	(7,090)	(1,616,321)	(1,623,411)
Balance - September 30, 2003	\$ -	\$ 2,257,408	\$ 2,257,408

Five-year Debt Service Requirements

The principal and interest payments to service all debt outstanding as of September 30, 2003 is as follows for the years ending September 30:

Years Ending September 30	Principal	Interest
2004	\$ 139,123	\$ 135,415
2005	148,101	126,437
2006	157,659	116,879
2007	167,833	106,705
2008	1,610,057	49,334
Total	<u>\$2,222,773</u>	<u>\$ 534,770</u>

Interest

Total interest incurred by DCC for the year approximated \$117,000.

Downriver Community Conference

Notes to Financial Statements September 30, 2003

Note 9 - Budget Information

The annual budget is prepared by DCC management and adopted by the Board of Directors. Subsequent amendments are approved by the Board of Directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2003 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures, and changes in fund deficit - budget and actual - General Fund and Central Diagnostic and Referral Fund (Special Revenue Fund)) is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, the budgets are prepared on a program year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the budget statement.

Following is a reconciliation of the budget statement to the operating statement (combined statement of revenue, expenditures, and changes in fund deficit - all governmental fund types):

	General Fund		Special Revenue Funds	
	Total	Total	Total	Total
	Revenue	Expenditures	Revenue	Expenditures
Amounts per operating statement	\$ 624,904	\$ 634,005	\$ 7,446,634	\$ 7,314,851
Funds not included in budget statement	-	-	(6,997,342)	(6,827,404)
Amounts per budget statement	<u>\$ 624,904</u>	<u>\$ 634,005</u>	<u>\$ 449,292</u>	<u>\$ 487,447</u>

The General Fund had expenditures greater than budget in the other expenditure, capital outlay, and professional fees categories related to expenses not budgeted for by DCC. The Economic Development Special Revenue Fund had a fund deficit of approximately \$141,000 at September 30, 2003. The Economic Development Fund deficit is partially the result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 6. The remainder relates to expenditures in excess of grants that will need to be funded from other revenue sources or future grants.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2003**

Note 9 - Budget Information (Continued)

The Building and Equipment Fund has an accumulated deficit of approximately \$263,000. Management anticipates continuing efforts to ensure a reasonable occupancy rate and to evaluate rent charges. In addition, DCC is examining costs and determining where savings can be realized. Management believes this deficit may be fully eliminated as of September 30, 2004 or 2005, by improving the building, increasing rental rates, and investigating cost savings.

Note 10 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2003, there were immaterial transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid.

Note 11 - Upcoming Report Changes

For the year beginning October 1, 2003, DCC plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total, on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Note 12 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. DCC has purchased commercial insurance for these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 13 - Subsequent Events

Subsequent to September 30, 2003, the DCC has experienced a loss of funding for its Central and Diagnostic Referral Program. In addition the DCC was informed of a potential loss of funding for its Welfare to Work Program of approximately \$800,000. In addition, the Partnership for Adult Learning Grant has been eliminated with a loss of funding of approximately \$800,000.

Additional Information



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To the Board of Directors
Downriver Community Conference

We have audited the general purpose financial statements of Downriver Community Conference (a local government consortium) as of and for the year ended September 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Downriver Community Conference. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

January 5, 2004

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Downriver Community Conference

Special Revenue Funds - Combining Balance Sheet September 30, 2003

	Central Diagnostic and Referral Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	Total
Assets						
Cash and other investments	\$ -	\$ 409,441	\$ -	\$ 26,640	\$ -	\$ 436,081
Due from other funds	-	2,270	163,700	-	-	165,970
Due from other governmental units	<u>48,325</u>	<u>465,623</u>	<u>207,646</u>	<u>98,623</u>	<u>3,509</u>	<u>823,726</u>
Total assets	<u>\$ 48,325</u>	<u>\$ 877,334</u>	<u>\$ 371,346</u>	<u>\$ 125,263</u>	<u>\$ 3,509</u>	<u>\$ 1,425,777</u>
Liabilities and Fund Balance (Deficit)						
Liabilities						
Bank overdraft	\$ 42,495	\$ -	\$ 219,560	\$ -	\$ 2,116	\$ 264,171
Accrued liabilities	5,830	577,683	122,895	112,809	-	819,217
Due to other funds	-	32,016	28,183	-	-	60,199
Deferred revenue	-	<u>260,762</u>	<u>142,473</u>	<u>12,454</u>	<u>131</u>	<u>415,820</u>
Total liabilities	48,325	870,461	513,111	125,263	2,247	1,559,407
Fund Balance (Deficit)	<u>-</u>	<u>6,873</u>	<u>(141,765)</u>	<u>-</u>	<u>1,262</u>	<u>(133,630)</u>
Total liabilities and fund balance (deficit)	<u>\$ 48,325</u>	<u>\$ 877,334</u>	<u>\$ 371,346</u>	<u>\$ 125,263</u>	<u>\$ 3,509</u>	<u>\$ 1,425,777</u>

Downriver Community Conference

Special Revenue Funds - Combining Statement of Revenue, Expenditures, and Changes in Fund Balance (Deficit) Year Ended September 30, 2003

	Central Diagnostic and Referral Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	Total
Revenue						
Federal grants	\$ -	\$ 2,805,783	\$ 212,640	\$ 516,337	\$ 85,628	\$ 3,620,388
State and local grants	-	2,973,004	254,389	89,596	35,790	3,352,779
Charges for services	449,292	-	20,833	-	3,342	473,467
Total revenue	449,292	5,778,787	487,862	605,933	124,760	7,446,634
Expenditures						
Wages	258,500	2,320,071	102,759	153,838	55,570	2,890,738
Fringe benefits	87,742	715,057	23,820	33,103	23,219	882,941
Contracted services	-	1,199,616	200,954	313,448	168	1,714,186
Building rent and maintenance	42,104	533,853	17,290	30,993	14,698	638,938
Professional fees	25,519	226,653	60,223	7,221	976	320,592
Capital outlay	2,064	51,830	595	8,515	416	63,420
Other	71,518	563,133	80,873	58,815	29,697	804,036
Total expenditures	487,447	5,610,213	486,514	605,933	124,744	7,314,851
Excess of Revenue Over (Under) Expenditures						
	(38,155)	168,574	1,348	-	16	131,783
Other Financing Sources (Uses)						
Operating transfers in	49,624	-	-	-	-	49,624
Operating transfers out	-	(82,062)	-	-	-	(82,062)
Total other financing sources (uses)	49,624	(82,062)	-	-	-	(32,438)
Excess of Revenue and Other Financing Sources Over Expenditures and Other Uses						
	11,469	86,512	1,348	-	16	99,345
Fund Balance (Deficit) - October 1, 2002	(11,469)	(79,639)	(143,113)	-	1,246	(232,975)
Fund Balance (Deficit) - September 30, 2003	<u>\$ -</u>	<u>\$ 6,873</u>	<u>\$ (141,765)</u>	<u>\$ -</u>	<u>\$ 1,262</u>	<u>\$ (133,630)</u>

December 19, 2003

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

Dear Members of the Board and Management:

We recently completed the audit of Downriver Community Conference (DCC) for the year ended September 30, 2003. As part of the audit, and in addition to the financial and compliance report, we offer the following comments and suggestions for your consideration:

GASB No. 34 - A New Reporting Model

As of October 1, 2003, DCC is required to implement GASB No. 34. We would like to remind you of the additional time, effort, and costs that will be associated with this process. As we have previously discussed with you, GASB No. 34 is a pronouncement that creates a new governmental reporting model.

As the September 30, 2003 financial statement audit is completed, the next step is for DCC to prepare a restated balance sheet in accordance with this new statement. The internal and external cost, effort, and time to implement this new pronouncement could be significant. We would also be happy to assist DCC with the implementation of GASB No. 34 as needed.

The most significant change for DCC with the implementation of GASB No. 34 will be the recording of fixed assets and recording the associated depreciation on those assets. Currently, DCC has an inventory listing of fixed assets that have been purchased with grant monies. We would encourage DCC to perform a fixed asset observation (for both grant and non-grant related assets) to ensure that all assets of DCC are properly included in this listing. DCC should also take this opportunity to review the assets on the current listing (including in the Building and Grounds Fund) and correct these schedules as necessary.

Fund Balance

Grants

The only grant fund that had a fund deficit at September 30, 2003 was the Economic Development Special Revenue Fund. The deficit was approximately \$142,000.

Due to GASB No. 33, DCC is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, all grant reimbursements not received by November 30, 2003 are not recognized as revenue for the year under audit. In addition, amounts that were deferred in the prior year due to the GASB No. 33 implementation were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement, the DCC should continue to aggressively submit timely requests for reimbursements.

The Economic Development Special Revenue Fund's deficit relates to the deferral of revenue for the Department of Defense grant. This revenue will be recognized when received, which should be during the 2003-2004 fiscal year.

Grant Funding Sources

As of October 1, 2003, the Central Diagnostic Referral (CDR) grant was discontinued. If this is a service that DCC wishes to continue, DCC is going to have to aggressively search for grant revenue to provide this service. The fund deficit in the CDR Special Revenue Fund was eliminated by transferring funds from the Employment and Training Partnership for Adult Learning grant, which had positive results the past two years.

As DCC continues to look towards the future, DCC should keep in mind that due to its dependency on grant monies, loss of funding could significantly impact operations as the grants are needed to cover significant administration costs. We would encourage DCC to continue pursuing new grant opportunities.

General Fund

The General Fund had a fund deficit of approximately \$23,000 at September 30, 2002. This deficit has been eliminated in the current year. In addition, during the current year, DCC made the final payment of the disallowed costs from the U.S. Department of Commerce final grant audit.

Building and Equipment Fund

DCC continues to place greater emphasis on reducing the Building and Equipment Fund deficit. Unfortunately, the fund deficit grew significantly during the year ended September 30, 2003. The following table represents the fund deficit for the Building and Equipment Fund for the previous five years:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net income (loss)	\$ (31,339)	\$ 34,784	\$ (20,599)	\$ (63,793)	\$ (160,101)
Accumulated deficit	(53,321)	(18,537)	(39,136)	(102,929)	(263,030)

During the current year, DCC incurred significant boiler and other repair costs. In addition, DCC departments are using less space and as a result, a lower amount of the building costs are allowed to be covered by grant funding. We recommend that DCC examine the rental rates being charged to tenants in an effort to renegotiate rates charged during the year. Analyzing the building operations from this perspective would assist the DCC to ensure the long-term viability of this fund. Also, when major repairs are necessary, DCC should solicit quotes from several contractors to ensure that the DCC hires a contractor with the best combination of quality and price.

Other Items

As a result of our audit, we offer the following accounting-related suggestions for your consideration:

- The Work First and Weatherization Grants have certain level of effort requirements (goals). Several of these requirements were not met during the grant years that ended during the September 30, 2003 fiscal year. We encourage DCC to monitor these results periodically in order to target participants as required by the grant contracts.
- The weatherization programmatic reports were completed incorrectly during the current year. The reports will be corrected during the 2003-2004 fiscal year.
- The State requires that municipalities have an ACH transaction policy approved by the Board. We encourage DCC to adopt a policy in order to comply with State law.

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

Very truly yours,

Plante & Moran, PLLC

Beth A. Bialy

Kristine E. Wood

Downriver Community Conference

**Federal Awards
Supplemental Information
September 30, 2003**

Downriver Community Conference

Contents

Independent Auditor's Report	I
Report Letter on Compliance with Laws and Regulations and Internal Control - General Purpose Financial Statements	2-3
Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards	4-5
Schedule of Expenditures of Federal Awards	6
Reconciliation of General Purpose Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-12

Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the general purpose financial statements of the Downriver Community Conference for the year ended September 30, 2003 and have issued our report thereon dated January 5, 2004. Those general purpose financial statements are the responsibility of the management of the Downriver Community Conference. Our responsibility was to express an opinion on those general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Plante & Moran, PLLC

January 5, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - General Purpose Financial Statements

To the Board of Directors
Downriver Community Conference

We have audited the financial statements of the Downriver Community Conference as of and for the year ended September 30, 2003 and have issued our report thereon dated January 5, 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 Downriver Community Conference's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Downriver Community Conference'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.

To the Board of Directors
Downriver Community Conference

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than this specified party.

Plante & Moran, PLLC

January 5, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Board of Directors
Downriver Community Conference

Compliance

We have audited the compliance of the Downriver Community Conference with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The major federal programs of the Downriver Community Conference are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Downriver Community Conference's management. Our responsibility is to express an opinion on the Downriver Community Conference's compliance based on our audit.

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

As described in items 2003-01, 2003-02 and 2003-03 in the accompanying schedule of findings and questioned costs, the Downriver Community Conference did not comply with requirements regarding weatherization units reported, weatherization costs per unit, and Work First placement levels that are applicable to the related programs. Compliance with such requirements is necessary, in our opinion, for the Downriver Community Conference to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Downriver Community Conference complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

To the Board of Directors
Downriver Community Conference

Internal Control Over Compliance

The management of the Downriver Community Conference 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 Downriver Community Conference'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 Board of Directors and is not intended to be and should not be used by anyone other than this specified party.

Plante & Moran, PLLC

January 5, 2004

Downriver Community Conference

Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services - Passed through the Michigan Department of Social Services - Weatherization - LIHEAP	13.818	\$ 193,554
U.S. Department of Energy - Passed through the Michigan Department of Social Services: Weatherization 02-03	81.042	228,185
Weatherization 03-04	81.042	<u>87,078</u>
Total U.S Department of Energy		315,263
U.S. Department of Labor: HIB	17.261	857,238
Passed through the Michigan Department of Labor, Bureau of Employment and Training - Passed through the Southeastern Michigan Community Alliance:		
Adult	17.250	226,080
Dislocated Worker	17.246	498,073
Displace Homemaker		7,866
Work First	93.561	293,255
Work First - Welfare to Work	93.561	244,707
Work First - Food Stamps	93.561	<u>19,950</u>
Total passed through the Michigan Department of Labor, Bureau of Employment and Training		1,289,931
Passed through the Michigan Department of Career Development - Passed through the Southeastern Michigan Community Alliance:		
Reed Act	17.*	589,326
Reed Service Center	17.*	<u>60,000</u>
Total passed through the Michigan Department of Career Development		649,326
U.S. Department of Defense - Procurement Technical Outreach Grant	12.001	178,784
U.S. Environmental Protection Agency: Software Engineering	66.606	29,693
Superfund Innovative Technology Evaluation	66.807	<u>58,620</u>
Total U.S. Environmental Protection Agency		88,313
U.S. Department of Transportation - Passed through the Federal Transit Administration - Passed through Detroit Employment and Training - Passed through Easy Ride - JARC	20.*	85,628
Department of Consumer and Industry Services - Clean Cities	81.119	<u>7,521</u>
Total federal awards		<u>\$ 3,665,558</u>

* CFDA number is unknown at the time of the audit.

Downriver Community Conference

Reconciliation of General Purpose Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,650,081
Less revenue received in the current year related to prior year expenditures	(130,799)
Add revenue not available to finance expenditures of the current period (GASB No. 33)	<u>146,276</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 3,665,558</u>

Downriver Community Conference

Note to Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Downriver Community Conference and is presented on the same basis of accounting as the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Downriver Community Conference

Schedule of Findings and Questioned Costs Year Ended September 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are 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 that are not considered to be material weaknesses? Yes None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
81.042	U.S. Department of Energy - Weatherization 01-02
81.042	U.S. Department of Energy - Weatherization 02-03
17.261	U.S. Department of Labor - HIB
93.561	U.S. Department of Labor - Work First
93.561	U.S. Department of Labor - Welfare to Work
93.561	U.S. Department of Labor - Food Stamps
17.unknown	U.S. Department of Labor - Reed Act
17.unknown	U.S. Department of Labor - Reed Service Center

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

Auditee qualified as low-risk auditee? Yes No

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2003

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2003-01	<p>Program Name - Weatherization 02-03 and 03-04</p> <p>Pass-through Entity - Michigan Department of Social Services</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Weatherization grant requires that units weatherized be reported as completed units in the monthly programmatic reports after an inspection has been performed.</p> <p>Condition - DCC incorrectly completed monthly programmatic reports by reporting units as completed for each month in which an expenditure was incurred for that unit. Consequently, these units were counted more than once as completed.</p> <p>Questioned Costs - Unknown</p> <p>Context - DCC completed monthly programmatic reports and reported units as completed for any month in which an expenditure was incurred for that unit.</p> <p>Cause/Effect - Procedures used to compile monthly programmatic reports resulted in some units being reported as completed multiple times and are not in accordance with the requirements of the Weatherization grant.</p> <p>Recommendation - DCC should reconcile monthly programmatic reports to determine actual number of units weatherized in accordance with the grant agreement and file appropriate adjustments to the programmatic reports.</p> <p>Grantee Response - DCC will determine number of units weatherized in accordance with grant agreement and file appropriate adjustments to the programmatic reports.</p>

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2003-02	<p>Program Name - Weatherization 02-03</p> <p>Pass-through Entity - Michigan Department of Social Services</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Weatherization grant program goals require that the average cost per unit weatherized be less than \$2,591 and that 50 percent of persons served are at or below 125 percent of the poverty level.</p> <p>Condition - DCC failed to meet the program goals for the Weatherization 02-03 grant.</p> <p>Questioned Costs - Unknown</p> <p>Context - The average cost per unit for DCC for the 02-03 program year was greater than \$2,591 per unit and less than 50 percent of the persons served in the program were at or below 125 percent of the poverty level.</p> <p>Cause/Effect - DCC has failed to meet the program goals for the Weatherization 02-03 program year resulting in a noncompliance with the grant agreement.</p> <p>Recommendation - DCC should focus on meeting program goals for the upcoming year by monitoring per unit costs more closely and by targeting low income persons.</p> <p>Grantee Response - DCC will monitor program goals closely in the 03-04 program year.</p>

Downriver Community Conference

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2003

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2003-03	<p>Program Name - Work First</p> <p>Pass-through Entity - Michigan Department of Labor, Bureau of Employment and Training passed through the Southeastern Michigan Community Alliance</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Work First grant program goals require that a 70 percent placement level be obtained.</p> <p>Condition - DCC failed to meet the program goals for the Work First grant.</p> <p>Questioned Costs - Unknown</p> <p>Context - The placement level for the 02-03 program year for DCC was less than the 70 percent program goal.</p> <p>Cause/Effect - DCC has failed to meet the program goals for the Work First 02-03 program year resulting in a noncompliance with the grant agreement.</p> <p>Recommendation - DCC should continue efforts to meet the program goals of the Work First program during the 03-04 program year.</p> <p>Grantee Response - DCC will focus on meeting program goals for the 03-04 program year and will continue meeting with the pass-through agency to discuss measures to increase placement levels.</p>