

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Six County Employment Alliance	County Delta
Fiscal Year End 6/30/2007	Opinion Date 12/20/2007	Date Audit Report Submitted to State 12/31/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson Tackman & Co PLC		Telephone Number (906) 786-3111		
Street Address 901 Ludington Street		City Escanaba	State MI	Zip 49829
Authorizing CPA Signature Kevin C. Pascoe, CPA		Printed Name Kevin C. Pascoe		License Number 1101026882

SIX COUNTY EMPLOYMENT ALLIANCE

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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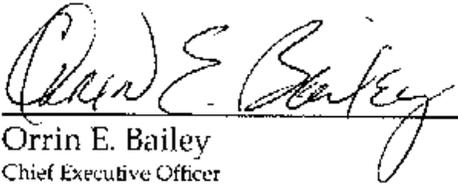
SIX COUNTY EMPLOYMENT ALLIANCE

REPORT OF MANAGEMENT

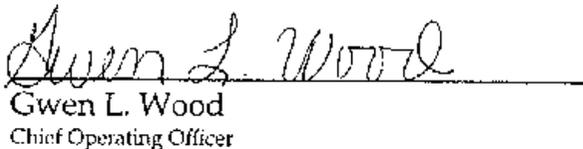
The management of Six County Employment Alliance has prepared, and is responsible for the integrity of, the financial statements and related financial information contained in these Basic Financial Statements. Our financial statements have been prepared in conformity with generally accepted accounting principles, and financial information included elsewhere in this report is consistent with our financial statements.

We maintain a system of internal controls designed to provide reasonable assurance that our assets are safeguarded and that transactions are properly executed and recorded in a manner that is in compliance with all of our governing authorities, including Michigan Department of Labor & Economic Growth, Michigan Department of Treasury, U.S. Department of Labor, U.S. Department of Health and Human Services, Internal Revenue Service, and others, as applicable. The systems are monitored by management. Written policies and procedures have been developed to support the internal control systems in place and are updated as necessary.

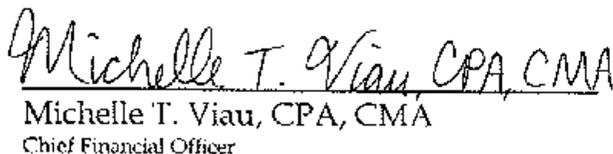
The accompanying financial statements have been audited by Anderson, Tackman, & Co., PLC, independent public accountants, whose report precedes this report.



Orrin E. Bailey
Chief Executive Officer



Gwen L. Wood
Chief Operating Officer



Michelle T. Viau, CPA, CMA
Chief Financial Officer



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Erick M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwaibach, CPA

INDEPENDENT AUDITOR'S REPORT

Six County Employment Alliance
Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund information of the Six County Employment Alliance, Escanaba, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Alliance's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Six County Employment Alliance'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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Six County Employment Alliance, Escanaba, Michigan, as of June 30, 2007, and the respective changes in financial position thereof 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 December 20, 2007, on our consideration of the Six County Employment Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages four through nineteen and page thirty are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 Six County Employment Alliance's basic financial statements. The report of management and additional information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 also not a required part of the basic financial statements of the Six County Employment Alliance. The additional information and 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 financial statements taken as a whole. The report of management has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.


Certified Public Accountants

December 20, 2007

SIX COUNTY EMPLOYMENT ALLIANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Six County Employment Alliance offers readers of these financial statements a narrative overview of the financial condition and activities for the year ended June 30, 2007. Please read this narrative in conjunction with the review of our financial statements and financial statement notes.

OVERVIEW

The Six County Employment Alliance is the legal entity that provides the structure for financial and grant management for activities of Michigan Works! The Job Force Board and its mission:

Michigan Works! The Job Force Board believes that a sound economic base is essential to maintain the quality of life in the six-county region it serves. The Board fosters economic development and encourages and supports employers to promote full employment for our residents.

As we focus on this mission, our vision is:

The Six County Employment Alliance Board is a leader in promoting regional economic progress and maintaining a competitive workforce essential to the quality of life in our region.

The Job Force Board and its Career Connections Group continue to participate in activities aligned to the Job Force Board's Strategic Plan. During this fiscal year, the strategic goals have been updated to reflect the changes in trends in our service delivery area; therefore, this was the first year for the following goals:

1. Workforce Improvement for Economic Development

Goal: To build regional competitiveness through collaborative partnerships

Strategies:

- (a) Support entrepreneurship to foster entrepreneurial spirit in the workforce and to encourage a diverse economy by:
- Providing entrepreneurial awareness at Michigan Works! Service Centers
 - Supporting and seeking ways to continue integrated entrepreneurial curriculum in K-16.

Actions completed through June 30, 2007:

- Entrepreneurial curriculum has been integrated into the Workforce Investment Act Summer Component
- (b) Support partnerships that align career pathways with economic development goals by:

- Marketing current and projected labor market demand to students, educators and parents through the Career Connections Group and education stakeholders.
- Michigan Works! Service Centers assisting K-12 and beyond with career pathways and preparation.

Actions completed through June 30, 2007:

- Michigan Works! Service Center Personnel have completed over 12 in-school and community based career pathways presentations across the region.

(c) Establish and grow regional partnerships by:

- The Job Force Board providing a communication structure to educate and inform community stakeholders on initiatives that enhance the region's economic viability.

Actions completed through June 30, 2007:

- Michigan Works! The Job Force Board has scheduled a Regional Workforce and Economic Development Summit to be held in September in Marquette
- Michigan Works! the Job Force Board has integrated strategic planning initiatives into its Business is Update newsletter that is distributed to over 5,000 business and organizations across the region.
- Michigan Works! The Job Force Board has instituted "Keeping You Connected" email blast to all stakeholders updating on current progress in workforce and economic development initiatives.
- Michigan Works! the Job Force Board has integrated strategic planning initiatives into email blasts to over 100 organizations across the region and also with state and federal stakeholders.

(d) Support and promote industry-led alliances that are aligned with workforce board strategic plans and regional economic development by:

- Fostering industry-led collaborative groups
- Building capacity in conveners of industry-led alliances

Actions completed through June 30, 2007:

- Michigan Works! The Job Force Board has provided strategic consulting to the Timber and Forest Products Regional Skills Alliances to assist in building their capacity.
- Michigan Works! The Job Force Board is now the convener for the Manufacturing, Healthcare and Construction industries RSAs.

2. Resource Supply and Demand Management

Goal: Manage human resources to meet industry demand

Strategies:

(a) Develop a region-wide recruitment plan by:

- Increasing linkages between Michigan Works! Service Centers, secondary school guidance services and post-secondary placement offices.

- Maintaining and growing market share of job seekers accessing Michigan Works!

Actions completed through June 30, 2007:

- Michigan Works! has increased linkages between K-12 to post secondary education by:
 - Providing career and employability skill sessions in K-12 districts
 - Developing partnership with NMU job search center, sharing job orders and referrals.
 - Developing partnerships with Bay College IT and Nursing department for referral of mutual clients for training support and job placement

(b) Market availability of workforce to existing and potential business by:

- Publishing, promoting and marketing federal, state and local labor market data.

Actions completed through June 30, 2007:

- Posted on Michigan Works! website and other publications

(c) Provide value-added labor exchange service by:

- Aligning knowledge, skills and abilities with employer requirements to reduce post-hire training and turn-over costs.
- Maintaining and growing market share of business use of the Michigan Talent Bank.

Actions completed through June 30, 2007:

- Michigan Works! Service Centers have had top market penetration rate in the State of employers using the Michigan Talent Bank.
- Michigan Works! Service Centers have the highest job opening fill rate in the State.
- Michigan Works! Service Center customer satisfaction rates exceed performance standards goals.

(d) Expand and enhance retention services by:

- Developing an employee peer mentoring system for first-time or at-risk entrants to the labor force.
- Promoting and supporting human resource services to businesses.

Actions completed through June 30, 2007:

- Michigan Works! Service Center Human Resource Specialists are providing fee for service to selected industries across the region for assessment and other value-added human resource services.
- Michigan Works! The Job Force Board and the UP Healthcare Roundtable are in the planning stages for a career ladder model from Home Health Aides to Certified Nursing Assistants in Marquette County. This project will eventually lead to career laddering for LPN and RN.

- (e) Support improved income through industry partnerships by:
- Developing career ladders to move entry-level workers to more skilled levels.
 - Developing career lattices to move workers laterally
 - Developing career progression models that transition working poor to family-sustaining wages.

3. Skills Development for Business and Industry

Goal: Build and prepare a skilled and competitive workforce for Central Upper Peninsula business and industry

Strategies:

- (a) Identify skills among the labor supply by:
- Implementing a soft- and hard-skill inventory of job seekers accessing Michigan Works!
- (b) Identify skill demand by:
- Aggregating primary and secondary data to measure the demand for occupations and skill-sets by regional employers.
- (c) Train the labor market for skill gaps by:
- Developing and delivering employer demand driven occupational skill-based training.
 - Promoting contextual learning applications to teachers and students.

Actions completed through June 30, 2007:

- Michigan Works! The Job Force Board's Career Connections Group subcommittee on contextual learning is disseminating best practice applied learning to area schools.

(d) Promote systems that validate skill attainment and credentialing by:

- Supporting and promoting incumbent worker training that aligns with business and industry demand and results in skill attainment and a credential for the learner.

Actions completed through June 30, 2007:

- Michigan Works! The Job Force Board has completed incumbent worker training of 158 participants for 12 companies through June 30, 2007.
- Supporting and promoting skill credentialing to meet technology demands of business and industry.

Actions completed through June 30, 2007:

- Year one has resulted in the implementation of the International Computer Driving License (ICDL) in the Michigan Works! Service Centers. ICDL is a technology skill credential that demonstrates competency in computer application systems.

HIGHLIGHTS

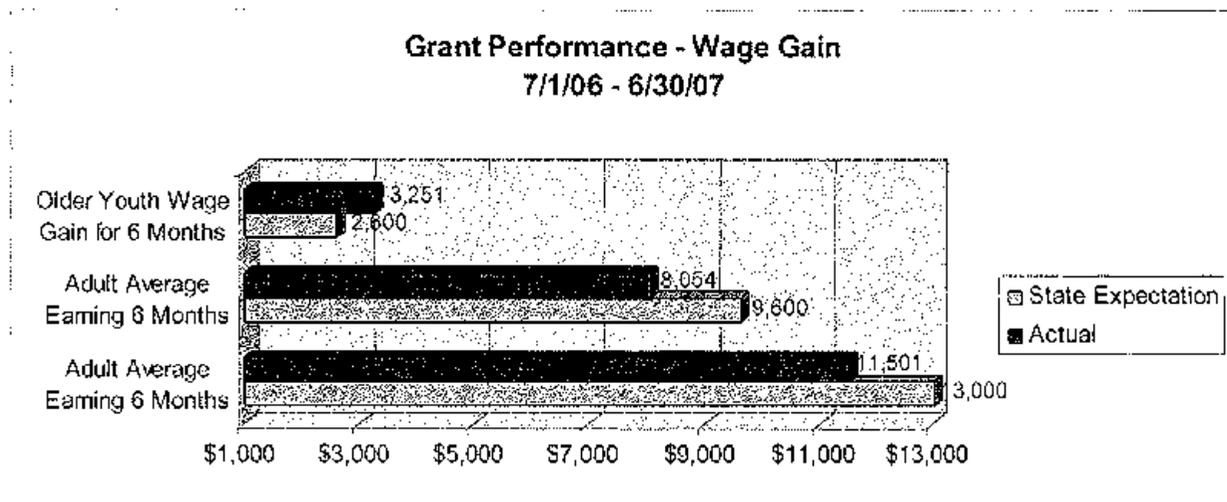
Within the past three years, the Job Force Board actively pursued and received additional funding from the Michigan Department of Labor and Economic Growth to develop Regional Skills Alliances (MiRSAs) in four separate industries: Healthcare, Construction, Manufacturing, and Tourism. In addition, the Board has supported the Timber and Forest Products and the Midwest Lineman School Alliances. The Upper Peninsula Healthcare Roundtable began its third year as a designated Alliance.

MiRSAs are regionally-and industry-based partnerships comprised of employers, educational institutions, training providers, economic development organizations, and Michigan Works! These partnerships have formed to address workforce shortages and issues that face our regional employers. All of the alliances share a common goal: to increase awareness of careers within the respective industries and to provide solutions to meet the industries' workforce needs. The Job Force Board serves as the convener for the MiRSAs in these industries: Healthcare, Construction, Manufacturing and Tourism.

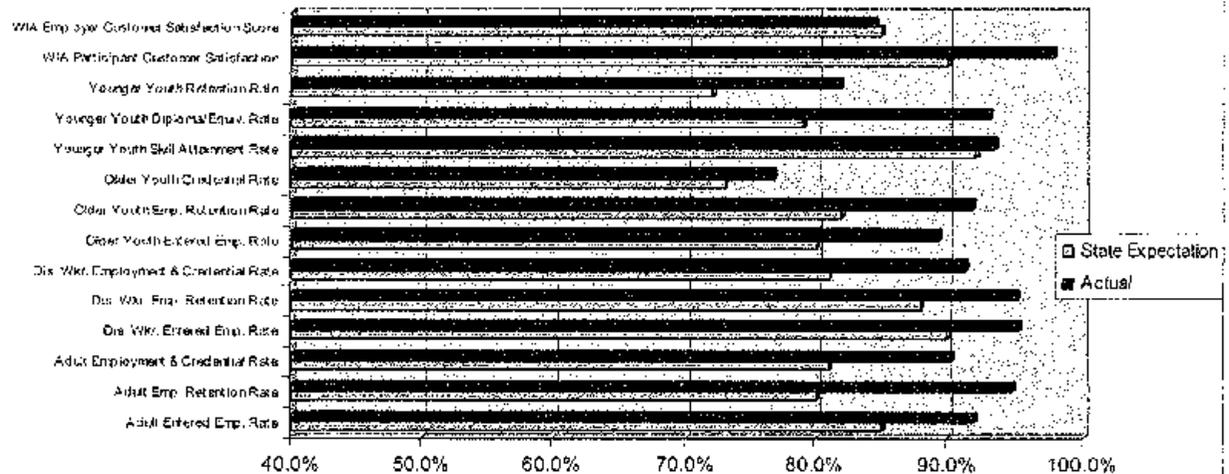
PERFORMANCE HIGHLIGHTS

Grant-Specific Performance:

The following two charts illustrate actual performance as compared to the State expectations for the 17 grant-required performance categories. Actual performance exceeded State expectations in 14 categories and surpassed the State's 80% criteria for meeting the goals in the remaining three categories.



Grant Performance 7/1/06-6/30/07



System-wide Performance

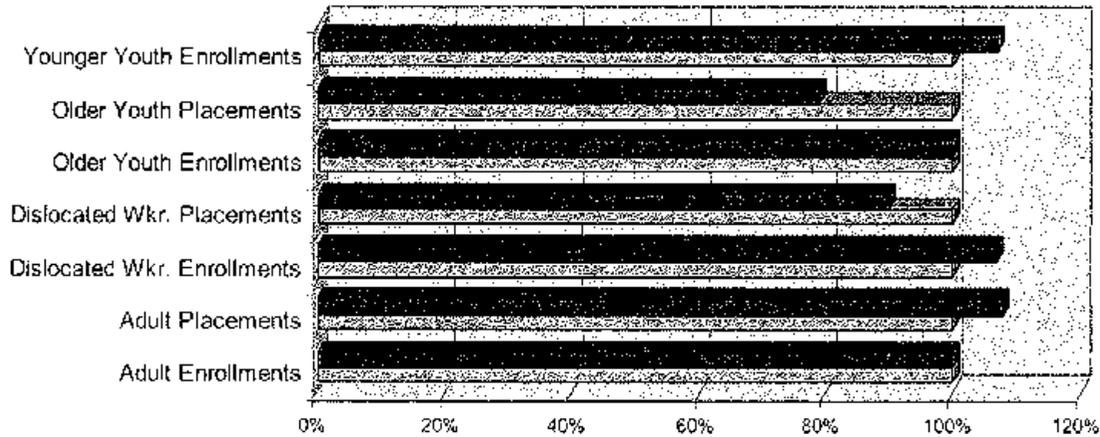
The contracts with the Alliance’s Service Providers stipulate internal system wide goals, which are illustrated in the charts.

In addition, the following measures were achieved:

- The goal for overall placements to employment throughout all six counties was 2,594; Service Providers exceeded this goal by 140, or 5.4%.
- Service center activity totaled 123,452, exceeding our goal by 71,542, or 237%.

Systemwide Performance Goals - Chart 1

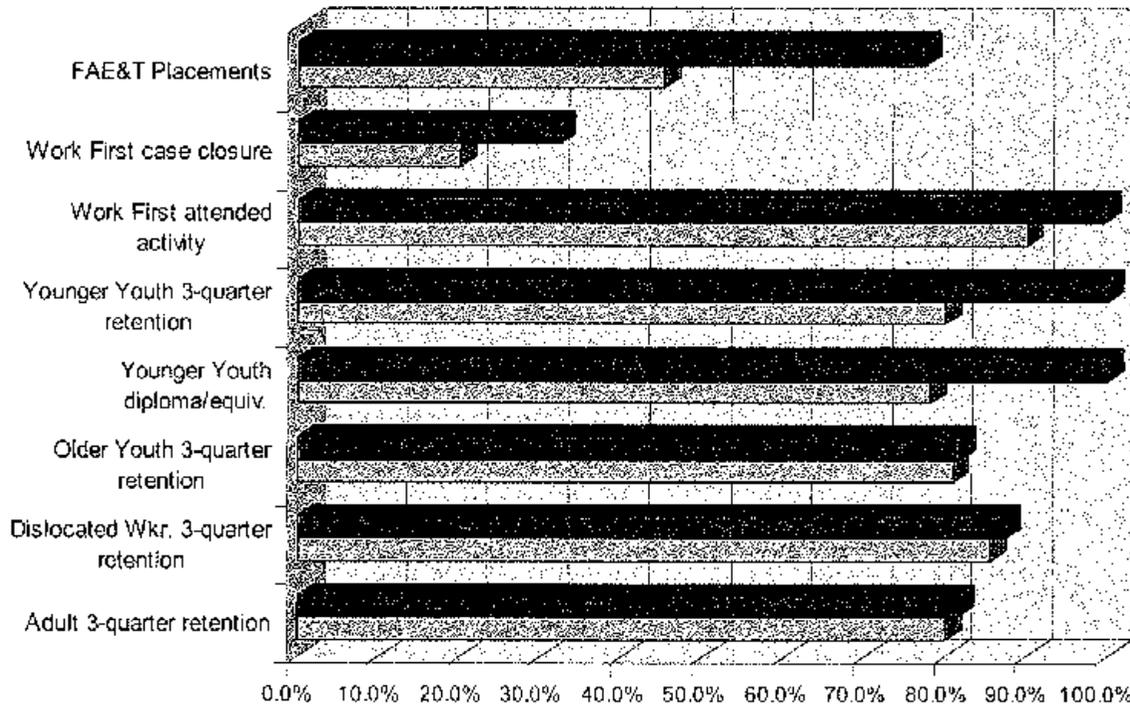
7/1/06- 6/30/07



	Adult Enrollments	Adult Placements	Dislocated Wkr. Enrollments	Dislocated Wkr. Placements	Older Youth Enrollments	Older Youth Placements	Younger Youth Enrollments
■ Actual	100%	108%	107%	90%	100%	79%	107%
▨ Goal	100%	100%	100%	100%	100%	100%	100%

Systemwide Performance Goals - Chart 2

7/1/06- 6/30/07

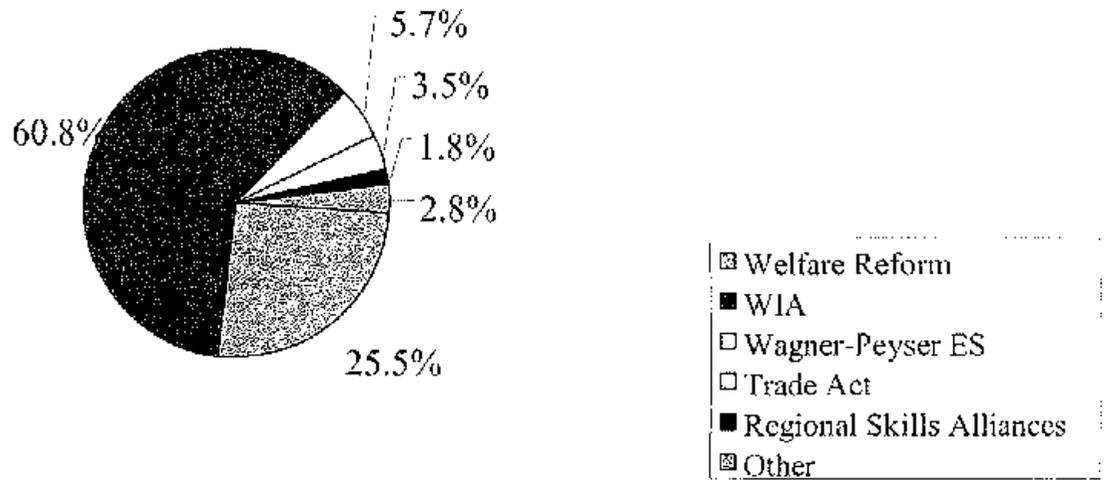


	Adult 3-quarter retention	Dislocated Wkr. 3-quarter retention	Older Youth 3-quarter retention	Younger Youth diploma/equiv.	Younger Youth 3-quarter	Work First attended activity	Work First case closure	FAE&T Placements
■ Actual	81.5%	87.3%	81.8%	100.0%	100.0%	99.6%	32.2%	77.3%
▨ Goal	80.0%	85.5%	81.0%	78.0%	80.0%	90.0%	20.0%	45.0%

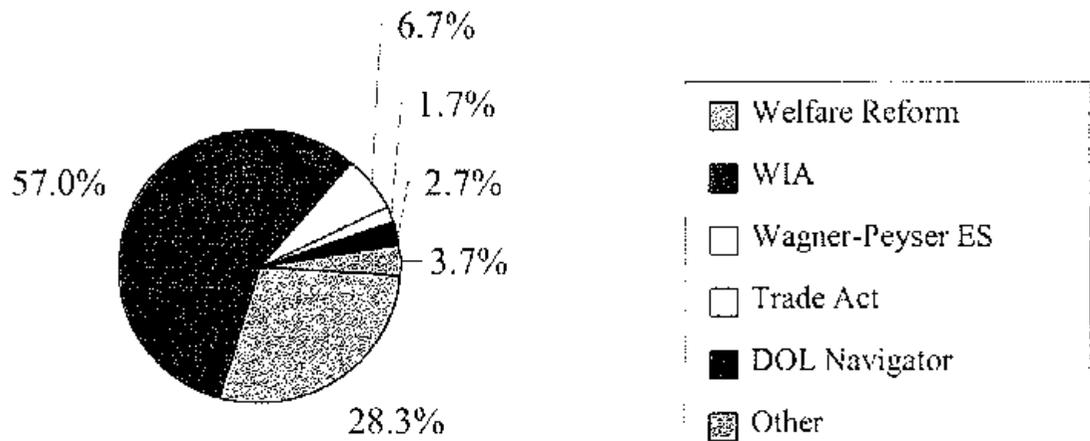
Financial Summary:

- Total revenues from all sources were \$801,720 higher than last year (18.5%). This change was the result of the following:
 - Federal revenues are decided annually by the U.S. Congress; Michigan revenues by its Legislature.
 - The level of funding in each funding stream is determined initially by the federal allocation to the State of Michigan; then, a funding formula determines the allocation amount to each of the 25 Michigan Works Agencies throughout the state, based on several economic and demographic factors.
 - Because the funding streams pay on a reimbursement basis, the Alliance's revenues equal its expenditures. In spite of some statewide budget cuts, the Alliance utilized carry-in amounts from the prior year, received additional grant revenues from various Michigan Regional Skills Alliances, as well as Trade Act and two new funding sources (Creating the 21st Century Workforce and Rapid Response Scholarships).
 - The Deferred Revenue/Due From State adjustments resulted in an increase in total revenues of \$135,644 (17% of the total increase).
- The Alliance's total assets increased by 6.7% and total liabilities decreased by 20.2%; this is within the expected normal fluctuations from year to year mostly due to the changes in the Due from State of Michigan and Deferred Revenue accounts which are discussed in the third and fourth bullet points of the Statement Analysis Section below.
- Total Net Assets increased by 41.4%, and the total Fund Balances increased by 2.4%.
- The following pie graphs illustrate the changes in the composition of funding between the 2005-06 fiscal year and the 2006-07 fiscal year.
 - Total grant funding increased by 16.2%, while non-grant revenues decreased by 12.7%; Wagner-Peyser Employment Services decreased by 1% and Welfare Reform decreased by 2.8% in terms of percentages of total funding.
 - WIA funding increased from 57% to 60.8% of total funding, as the Alliance again reaped the rewards of maintaining carry-in funds from the 2005-06 fiscal year in the WIA funding sources.
 - Trade Act funding increased from 1.7% to 3.5% of total funding, due to many Trade-eligible participants beginning their training during the current fiscal year.

Composition of Funding 7/1/06 - 6/30/07



Composition of Funding 7/1/05 - 6/30/06



Statement format:

- The statements are in compliance with the requirements of applicable federal and state regulations, including but not limited to OMB Circulars, GASB 34 and the Michigan Uniform Budgeting and Accounting Act.
- The Alliance’s federal and state funding sources mandate that capital assets be reported to the State as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

GASB 34 requires organizations to report depreciation expense in the Statement of Activities.

- The format, as described below, is recommended for entities such as the Alliance, since it is a special purpose government that engages only in a single type of activity (defined as *Workforce Development Activity*).
 - The Governmental Funds Balance Sheet/Statement of Net Assets begins with the Modified Accrual Basis format, then introduces an adjustment for Capital Assets, net of accumulated depreciation, as well as one to remove deferred revenue, then displays the Statement of Net Assets.
 - The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities begins with revenues and expenditures using the Modified Accrual Basis, then introduces the adjustments to remove the Capital Outlay, include Depreciation Expense, and include Deferred Revenue, then displays the Statement of Activities in the final column.
 - A Budgetary Comparison Schedule is in the section called Required Supplementary Information. This shows the original budget amounts for revenues and expenditures, the final budget, actual amounts for the year, and the variance with the final budget.

Statement Analysis:

- 94.2% of the Alliance's revenues in the current year came in the form of federal grants passed through the State of Michigan; 3.4% were from state grants. 97.4% of the other revenues earned was considered program income and was required to be used for the specific purpose of furthering program objectives of the federal or state grants. The remainder of other revenues earned was available to be preserved; thus strengthening the fund balances. This translated into the total fund balances increasing by \$3,219 for the year.
- The amount Due from the State of Michigan, \$242,868, is merely recognition of a point-in-time amount by which the accrued expenditures as of June 30, 2007 exceeded the actual cash received as of the same date for a specific set of funding sources. Because of the nature of the Due from State account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference between when the expenditure is accrued and when the cash is received. This amount is included in federal grant revenues of the respective funding sources.
- Deferred Revenue of \$84,557 is likewise recognition of a point-in-time amount by which the cash received as of June 30, 2007 exceeded the accrued expenditures as of the same date for a specific set of funding sources. Due to the nature of the Deferred Revenue account, comparison with prior periods is not useful for analysis. The amount is derived solely from the timing difference between when the expenditure is accrued and when the cash is received. This amount is excluded from grant revenues of the respective funding sources.

- The difference between the original budget and final budget amounts were due to changes in funding allocations throughout the year. Causes of funding changes are discussed below.

The Alliance, like all Michigan Works Agencies (MWAs), conducts business in a dynamic funding environment, where numerous adjustments are made to allocation amounts throughout any given year.

- State or federal budget decisions can cause decreases or increases in funding, at any time.
- Occasionally, the State may rescind unspent funding from one or more Michigan Works! Agencies and reallocate it to other MWAs as need is demonstrated.
- Incentive monies for WIA and Welfare Reform may be earned by MWAs and are allocated based on each MWA's level of system performance.
- Local factors, such as trade-affected businesses closing, can initiate an increase in funding for a specific MWA.

MANAGEMENT'S DISCUSSION & ANALYSIS:

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current Assets:		
Cash and equivalents:		
Unrestricted - General Operating	\$ 183,781	\$ 113,659
Restricted - Funded Leave	110,231	108,621
Due from State of Michigan	242,868	332,506
Accounts Receivable	31,940	15,323
Prepaid Expenses	600	600
Noncurrent Assets:		
Capital Assets, net	261,828	208,346
Total Assets	<u>831,248</u>	<u>779,055</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	210,191	308,702
Accrued Payroll	19,556	16,273
Accrued Payroll Taxes and Related	7,868	6,815
Accrued Compensated Absences	112,443	106,993
Total Liabilities	<u>350,058</u>	<u>438,783</u>
NET ASSETS:		
Invested in Capital Assets	261,828	208,346
Unrestricted	219,362	131,926
Total Net Assets	<u>\$ 481,190</u>	<u>\$ 340,272</u>

MANAGEMENT'S DISCUSSION & ANALYSIS:

	2007	% Increase/ - Decrease	2006
REVENUES:			
Federal Grants	\$ 4,838,588	19.2%	\$ 4,060,832
State Grants	174,909	-10.1%	194,546
Other Revenue and Interest	124,362	54.0%	80,761
Total Revenues	<u>5,137,859</u>	18.5%	<u>4,336,139</u>
EXPENDITURES:			
Workforce Development Activity:			
Personal Services	985,295	10.2%	894,043
Supplies	85,192	-14.3%	99,393
Other Services and Charges	3,824,750	14.4%	3,342,773
Depreciation	101,704	22.6%	82,949
Total Expenditures	<u>4,996,941</u>	13.1%	<u>4,419,158</u>
Increase (Decrease) in Net Assets	140,918	269.7%	(83,019)
Net Assets - Beginning	<u>340,272</u>		<u>423,291</u>
Net Assets - Ending	<u>\$ 481,190</u>	41.4%	<u>\$ 340,272</u>

MANAGEMENT'S DISCUSSION & ANALYSIS:

	2007	% Increase/ - Decrease	2006
REVENUES:			
Federal Sources:			
Work First	\$ 982,114	25.6%	\$ 782,195
Food Assistance Employment & Training	59,955	-46.7%	112,589
Reemployment Services	-	-100.0%	21,161
Reed Act - Work First	73,368	-7.2%	79,023
RSA - Michigan Regional Skills Alliance	117,461	51.7%	77,423
SBTDC	18,645		-
Employment Services	288,142	6.3%	271,143
Trade Act	174,419	129.3%	76,068
USDOL Work Incentive Grant (Navigator)	-	-100.0%	116,541
Disability Program Navigator	10,000		-
Creating the 21st Century Workforce	165,000		-
WIA Administration	215,828	1.5%	212,714
WIA Adult	876,442	20.9%	724,804
WIA Dislocated Worker	839,692	42.3%	589,976
WIA DW Rapid Response JAC #1278	-	-100.0%	2,962
WIA DW Rapid Response Scholarships	30,447		-
WIA Youth	727,911	-3.2%	751,596
WIA Statewide - Capacity Building	72,000	200.0%	24,000
Reed Act - Service Center Operations	-	-100.0%	24,727
WIA Statewide - Service Center Operations	82,358		59,124
WIA Statewide - Incumbent Worker	55,304	-44.5%	99,651
WIA Statewide - Incentive	49,502	40.9%	35,135
Total Federal Sources	<u>4,838,588</u>	19.2%	<u>4,060,832</u>
State Sources:			
GE/GP Work First	174,628	-10.2%	194,546
Food Assistance Employment & Training - Supportive Serv.	281		-
Total State Sources	<u>174,909</u>	-10.1%	<u>194,546</u>
Local Sources:			
Total Local Sources	<u>124,362</u>	54.0%	<u>80,761</u>
Total Revenues	<u>5,137,859</u>	18.5%	<u>4,336,139</u>

MANAGEMENT'S DISCUSSION & ANALYSIS:

	2007	% Increase/ - Decrease	2006
EXPENDITURES:			
LONG	\$ 11,080	4717.4%	\$ 230
Work First	981,954	25.6%	781,697
GF/GP Work First	167,420	-14.0%	194,572
Food Assistance Employment & Training	59,144	-47.3%	112,264
Reemployment Services	-	-100.0%	21,166
Reed Act - Work First	71,630	-40.2%	119,729
RSA - Michigan Regional Skills Alliance	87,893	-20.5%	110,586
Build UP! Tool Kits	-	-100.0%	4,927
SBTDC Contract	19,098		-
Employment Services	283,061	3.8%	272,638
Trade Act	170,286	123.7%	76,128
USDOL Work Incentive Grant (Navigator)	-	-100.0%	116,541
Disability Program Navigator	9,765		-
Creating the 21st Century Workforce	135,000		-
WIA Administration	220,468	1.5%	217,316
WIA Adult	902,747	25.9%	717,259
WIA Dislocated Worker	831,886	42.1%	585,543
WIA DW Rapid Response JAC #1278	-	-100.0%	2,962
WIA DW Rapid Response Scholarships	29,743		-
WIA Youth	720,282	-3.2%	744,311
ADA Steering Committee mini-grant	-		500
WIA Statewide - Capacity Building	34,504	43.8%	24,000
WIA Statewide - Service Center Operations	80,563	36.3%	59,126
Reed Act - Service Center Operations	-	-100.0%	24,884
WIA Statewide - Incumbent Worker	54,078	-46.1%	100,271
Worker Incentive Grant	-	-100.0%	(45)
WIA Statewide - Incentive	24,635	-30.2%	35,285
UGLETI Grant	-	-100.0%	14,319
Depreciation	101,704	22.6%	82,949
Total Expenditures	<u>4,996,941</u>	13.1%	<u>4,419,158</u>
EXCESS OF REVENUES (EXPENDITURES)	140,918	269.7%	(83,019)
NET ASSETS:			
Beginning of Year	340,272		423,291
End of Year	<u>\$ 481,190</u>		<u>\$ 340,272</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS:

	<u>2007</u>	% Increase / - Decrease	<u>2006</u>
EXPENDITURES:			
General Administration	\$ 481,250	2.6%	\$ 469,249
Program Services	4,413,987	14.1%	3,866,960
Depreciation	<u>101,704</u>	22.6%	<u>82,949</u>
Total Expenditures	<u>\$ 4,996,941</u>	13.1%	<u>\$ 4,419,158</u>

**SIX COUNTY EMPLOYMENT ALLIANCE
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Michigan Works Agency Fund Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS:			
Current Assets:			
Cash and equivalents:			
Unrestricted - general operating	\$ 183,781		\$ 183,781
Restricted - funded leave	110,231		110,231
Due from State of Michigan	242,868		242,868
Accounts Receivable	31,940		31,940
Prepaid Expenses	600		600
Noncurrent Assets:			
Capital Assets, net (Note D)	-	\$ 261,828	261,828
Total Assets	<u>569,420</u>	<u>261,828</u>	<u>831,248</u>
 LIABILITIES			
Current Liabilities:			
Accounts Payable	210,191		210,191
Accrued Payroll	19,556		19,556
Accrued Payroll Taxes and Related	7,868		7,868
Deferred Revenue	84,557	(84,557)	-
Accrued Compensated Absences	112,443		112,443
Total Liabilities	<u>434,615</u>	<u>(84,557)</u>	<u>350,058</u>
 FUND BALANCE/NET ASSETS			
Unreserved	<u>134,805</u>		
Total Fund Balances	<u>134,805</u>		
Total Liabilities and Fund Balance	<u>\$ 569,420</u>		
 Net Assets			
Invested in Capital Assets		261,828	261,828
Unrestricted		84,557	219,362
Total Net Assets		<u>\$ 346,385</u>	<u>\$ 481,190</u>
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:			
Capital assets used in governmental activities are not financial sources and therefore are not reported in the funds.		\$ 261,828	
Deferred revenue reported as a liability on the balance sheet of the fund financial statement has been recognized as revenue in the Statement of Activities and has been removed from the Statement of Net Assets.		<u>84,557</u>	
Total adjustments		<u>\$ 346,385</u>	

See accompanying notes to financial statements

SIX COUNTY EMPLOYMENT ALLIANCE
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	Michigan Works Agency Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES:			
Federal Grants	\$ 4,757,742	\$ 80,846	\$ 4,838,588
State Grants	171,538	3,371	174,909
Charges for Services	105,654		105,654
Interest	3,047		3,047
Other Revenue	15,661		15,661
Total Revenues	<u>5,053,642</u>	<u>84,217</u>	<u>5,137,859</u>
EXPENDITURES:			
Workforce Development Activity:			
Personal Services	985,295		985,295
Supplies	85,192		85,192
Other Services and Charges	3,824,750		3,824,750
Depreciation		101,704	101,704
Capital Outlay (Note A.4)	155,186	(155,186)	-
Total Expenditures	<u>5,050,423</u>	<u>(53,482)</u>	<u>4,996,941</u>
Net Change in Fund Balance	3,219	137,699	140,918
Fund Balance/Net Assets - Beginning	131,586		340,272
Fund Balance/Net Assets - Ending	<u>\$ 134,805</u>	<u>\$ 137,699</u>	<u>\$ 481,190</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$155,186) exceeded disposals (\$16,399) and depreciation expense (\$85,305).

\$ 53,482

This amount reflects the deferred revenue reported in the fund financial statements that are recognized as revenue in the Statement of Activities offset with the amount of deferred revenue recognized in the Statement of Activities in the prior year.

84,217

Total adjustments

\$ 137,699

See accompanying notes to financial statements

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Six County Employment Alliance was organized by the counties of Alger, Delta, Dickinson, Marquette, Menominee, and Schoolcraft in 1974 to operate Comprehensive Employment and Training Act programs. It was organized under Michigan Public Act 8 with Delta County as the lead county of the six counties.

In 1983, the Six County Employment Alliance was organized under Public Act 7 to operate employment and training programs. The organization operates under a Board comprised of two local elected officials from each of the six member counties. A Director is hired by the Six County Employment Alliance Board to manage operations. The Alliance's basic financial statements include all accounts and programs for which the Board exercises oversight responsibility.

The accompanying financial statements present the activities of Six County Employment Alliance. The accounting policies of the Alliance conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

- (1) Fund Accounting - The accounts of the Alliance are organized on the basis of funding streams. The operations of each funding stream are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funding streams based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funding streams are grouped into one fund and one activity, according to the Michigan Uniform Chart of Accounts under the Michigan Uniform Budgeting and Accounting Act (MUBAA) as follows:

GOVERNMENTAL FUND TYPE:

Michigan Works Agency Fund - The Special Revenue Fund type designated as the Michigan Works Agency Fund is the general operating fund of the Alliance. It is used to account for all program financial resources, each of which is recorded in separate revenue and expenditure categories within the fund. This fund name was designated by the Michigan Department of Treasury to identify the unique fund type under MUBAA of the Michigan Works Agencies.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACTIVITY:

Workforce Development Activity – The Workforce Development Activity classification was designated by the Michigan Department of Treasury as well to identify the unique activity type under MUBAA of the Michigan Works Agencies.

- (2) Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Alliance maintains its accounting records on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include federal program sources. Other revenue sources are recorded as revenues when received because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. When both restricted and unrestricted resources are available for use, it is the Alliance's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- (3) Compensated Absences - Accumulated vacation and sick pay amounts, which are expected to be liquidated with expendable available resources, are recorded in the operating fund in the amount of \$112,443.

Annual leave is accrued progressively according to the Personnel Manual and can be carried over from year to year. Cash payoff of annual leave is available annually and upon termination of employment. Employees accrue sick leave at a rate of thirteen days per year. Sick leave can be carried over from year to year. Cash payoff of accrued sick leave is available once annually for all hours accrued over 80 hours. Accrued sick leave is paid out upon termination of employment.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (4) Capital Assets - Capital assets are reported in the statement of net assets. Capital assets are defined by the Alliance as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The Alliance's federal and state funding sources mandate that capital assets are reported as expenditures in the period of acquisition; see Capital Outlay in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. To be in compliance with GASB 34, the Alliance is required to report depreciation expense in the Statement of Activities.
- (5) Use of Estimates - The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates; however, it is the opinion of management that any fluctuations from estimates would be insignificant and would not materially affect the results of operations or the financial statements taken as a whole.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets is presented below:

Financial statement presentation:

Cash and equivalents:

Unrestricted - General Operating	\$ 183,781
Restricted - Funded Leave	110,231
TOTAL	<u>\$ 294,012</u>

Composition of balances:

Imprest Cash	\$ 235
Deposits:	
Checking Accounts	183,546
Savings Account	34,588
Certificate of Deposit	75,643
TOTAL	<u>\$ 294,012</u>

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B - CASH AND EQUIVALENTS (Continued)

Cash and cash equivalents consist of checking and savings account deposits with one local FDIC financial institution, a certificate of deposit with another local FDIC financial institution, and petty cash.

Michigan statutes authorize the Alliance to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Alliance carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of June 30, 2007, the Alliance did not hold any commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Alliance's deposits may not be returned. At June 30, 2007, the Alliance held \$471,537 in checking and savings accounts and \$75,643 in a certificate of deposit. Of these amounts \$371,537 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Alliance has no significant concentration of credit risk due to the fact that its deposits are with local financial institutions.

Foreign Currency Risk. The Alliance has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Alliance are in accordance with statutory authority.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C - DUE FROM STATE OF MICHIGAN

The following is a summary of amounts due from the State of Michigan as of June 30, 2007:

Work First	\$	64,459
FAE&T		16,898
Work First - Recd Act		34,813
Trade Act		16,893
WIA Admin		7,841
WIA Adult		46,373
WIA Dislocated Worker		33,077
WIA Youth		<u>22,514</u>
TOTAL	\$	<u>242,868</u>

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets	\$ 833,232	\$ 155,186	\$ 351,460	\$ 636,958
Total accumulated depreciation	<u>624,886</u>	<u>85,305</u>	<u>335,061</u>	<u>375,130</u>
Total capital assets depreciated, net	<u>\$ 208,346</u>	<u>\$ 69,881</u>	<u>\$ 16,399</u>	<u>\$ 261,828</u>

Capital assets are depreciated using the straight-line method over a useful life of 5 years.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E – DEFERRED REVENUE - STATE

The following is a summary of Deferred Revenue as of June 30, 2007:

State - GF/GP	\$	3,371
RSA - Tourism		27,521
SBTDC		2,084
Creating the 21st Century Workforce		26,787
WLA Statewide One Stop		404
WLA Statewide Incentive		24,390
TOTAL	\$	<u>84,557</u>

NOTE F - PENSION PLAN

Substantially all Alliance employees participate in a Simplified Employee Pension Plan administered by the Vanguard Group. The plan is a discretionary contribution pension plan with the contributions being made by the Alliance at a rate of 12.5% of the covered employee's wages during fiscal year 2007. Contributions vest immediately and covered employees are eligible upon commencement of employment. The Alliance contributed \$90,801 to the plan for the year ended June 30, 2007. Employees do not contribute to this pension plan. The Alliance is not required to, and does not, contribute 6.2% of wages for the social security portion of FICA.

NOTE G – DEFERRED COMPENSATION PLAN

The Alliance offers all regular Alliance employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Alliance's financial statements.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H - LEASES

The Alliance has various lease arrangements for office space and equipment. Leases for office space are cancelable at the Alliance's option in the event of funding declines. All equipment leases are noncancelable with terms extending out to July 2008. Future minimum rental payments for the equipment leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 6,256
2009	5,389
2010	5,100
2011	4,330
2012	2,590
	<u>\$ 23,665</u>

Total office and equipment rental expenditures for the year ending June 30, 2007 were \$305,092. Total office and equipment rental expenditures expected for 2008 are \$310,000.

NOTE I – GASB 34-COMPLIANT

The Alliance is required to prepare its annual financial statements in the format prescribed by GASB 34. This format is designed to help the users of the statements make better comparisons between governments and has a number of other benefits as well.

NOTE J - GRANT PROGRAM YEARS

The Alliance administers grants for programs that have year-ends that differ from the Alliance's fiscal year end of June 30. The basic financial statements contain those revenues and expenditures that were earned and incurred during the Alliance's fiscal year ending June 30, 2007. The balance of these program revenues and expenditures are recorded during the period in which they occur.

SIX COUNTY EMPLOYMENT ALLIANCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE K - CONTINGENT LIABILITIES

The Alliance receives significant financial assistance from Federal agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Alliance. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements or individual fund types included in the overall financial position of the Alliance at June 30, 2007.

NOTE L – MUBAA COMPLIANT

The Michigan Department of Treasury has required that the Michigan Works! Agencies are in compliance with the requirements of the Michigan Uniform Budgeting and Accounting Act. These statements, as well as the Alliance's chart of accounts, are in full compliance with the requirements set forth by MUBAA. The Alliance has prepared its annual financial statements in a format that is compliant with MUBAA. This includes, among other requirements, conforming to the Michigan Uniform Chart of Accounts and adopting a formal budget through a board resolution.

NOTE M – USE OF GRANT FUNDS

Due to the nature of the grant funds received by the Alliance, services can only be provided to the level of federal, state, and/or other grant funding. The counties have no requirement to fund services beyond that level. During the current audit period, the six counties which comprise the Alliance did not contribute financially to the Alliance.

REQUIRED SUPPLEMENTARY INFORMATION

**SIX COUNTY EMPLOYMENT ALLIANCE
BUDGETARY COMPARISON SCHEDULE
MICHIGAN WORKS AGENCY FUND
For the Year Ended June 30, 2007**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Federal Grants	\$ 4,300,000	\$ 4,788,768	\$ 4,757,742	\$ (31,026)
State Grants	200,000	141,000	171,538	30,538
Charges for Services	25,000	110,000	105,654	(4,346)
Interest	1,000	3,100	3,047	(53)
Other Revenue	10,000	63,628	15,661	(47,967)
Total Revenues	<u>4,536,000</u>	<u>5,106,496</u>	<u>5,053,642</u>	<u>(52,854)</u>
EXPENDITURES:				
Workforce Development Activity:				
Personal Services	1,100,000	1,000,000	985,295	14,705
Supplies	105,000	100,000	85,192	14,808
Other Services and Charges	3,275,000	3,880,000	3,824,750	55,250
Capital Outlay	50,000	120,000	155,186	(35,186)
Total Expenditures	<u>4,530,000</u>	<u>5,100,000</u>	<u>5,050,423</u>	<u>49,577</u>
Increase in Net Assets	6,000	6,496	3,219	(3,277)
Fund Balance - Beginning	<u>131,586</u>	<u>131,586</u>	<u>131,586</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 137,586</u>	<u>\$ 138,082</u>	<u>\$ 134,805</u>	<u>\$ (3,277)</u>



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

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

Six County Employment Alliance
Escanaba, Michigan

We have audited the financial statements of the governmental activities and major fund of Six County Employment Alliance as of and for the year ended June 30, 2007, which collectively comprise Six County Employment Alliance's basic financial statements and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Six County Employment Alliance's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alliance's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Alliance's financial statements that is more than inconsequential will not be prevented or detected by the Alliance's internal control.

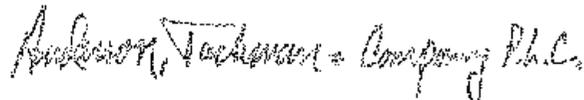
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Alliance's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

December 20, 2007



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

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

Six County Employment Alliance
Escanaba, Michigan

Compliance

We have audited the compliance of Six County Employment Alliance 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, 2007. Six County Employment Alliance'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 Six County Employment Alliance's management. Our responsibility is to express an opinion on Six County Employment Alliance'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 Six County Employment Alliance'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 Six County Employment Alliance's compliance with those requirements.

In our opinion, Six County Employment Alliance 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, 2007.

Internal Control Over Compliance

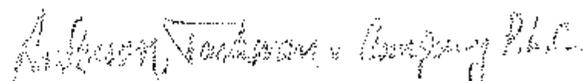
The management of Six County Employment Alliance is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Six County Employment Alliance's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Six County Employment Alliance's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

December 20, 2007

SIX COUNTY EMPLOYMENT ALLIANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal grantor/pass-through grantor/ Program title	Federal CFDA Number	Pass- through Grantor's Number	Award Amount	Federal Expenditures
<u>U.S. Department of Labor:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Workforce Investment Act (WIA) Cluster:				
WIA Adult	17.258	MWA:06	1,092,156	\$ 1,026,515
WIA Dislocated Worker	17.260	MWA:06	1,373,931	1,265,446
WIA Youth	17.259	MWA:06	1,076,623	<u>860,882</u>
Total WIA Cluster				<u>3,152,843</u>
Passed through Michigan Department of Labor & Economic Growth:				
Employment Services Cluster:				
Wagner-Peyser Employment Services	17.207	MWA:06	288,142	<u>288,142</u>
Total Employment Services Cluster				<u>288,142</u>
Passed through Michigan Department of Labor & Economic Growth:				
Disability Navigator Grant (DPN) Initiative	17.266	MWA:06	10,000	10,000
Trade Act	17.245	MWA:06	229,666	174,419
Work First - Reed Act	17.225	MWA:06	217,760	<u>73,368</u>
Total U.S. Department of Labor				<u>3,698,772</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Temporary Assistance for Needy Families (TANF):				
TANF - Work First	93.558	MWA:06	813,910	<u>982,454</u>
Total U.S. Department of Health and Human Services				<u>982,454</u>
<u>U.S. Department of Agriculture:</u>				
Passed through Michigan Department of Labor & Economic Growth:				
Food Stamp Cluster:				
State Administrative Matching Grants for Food Stamps:				
Food Assistance Employment & Training	10.561	MWA:06	67,191	<u>59,955</u>
Total U.S. Department of Agriculture				<u>59,955</u>
<u>U.S. Small Business Administration</u>				
Passed through the Michigan SBTDC at Grand Valley State University:				
Small Business and Technology Development Center	59.037		130,000	<u>16,561</u>
Total U.S. Small Business Administration				<u>16,561</u>
Total Expenditure of Federal Awards				<u>\$ 4,757,742</u>

SIX COUNTY EMPLOYMENT ALLIANCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Labor is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Alliance's direct federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the grant activity of Six County Employment Alliance and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

**SIX COUNTY EMPLOYMENT ALLIANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified: Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258	WIA (Workforce Investment Act) Adult
17.259	WIA Youth
17.260	WIA Dislocated Worker

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported

**SIX COUNTY EMPLOYMENT ALLIANCE
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

None



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

Board of Directors
Six County Employment Alliance
Escanaba, MI 49829

Audit Committee Communications

We have audited the financial statements of the governmental activities and major fund of Six County Employment Alliance for the year ended June 30, 2007, and have issued our report thereon dated December 20, 2007. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated July 3, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

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

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

Board of Directors
Six County Employment Alliance

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by Six County Employment Alliance are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by Six County Employment Alliance during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the useful lives on fixed assets and is based on management's past experience with useful lives of similar assets. We evaluated the key factors and assumptions used to develop the useful lives on fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Six County Employment Alliance's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments made during the audit.

Disagreement with Management

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

Consultation with Other Independent Accountants

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

Board of Directors
Six County Employment Alliance

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

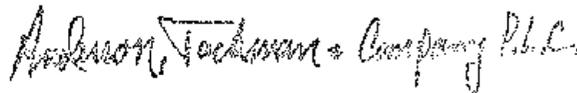
We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Six County Employment Alliance for the year ended June 30, 2007, we considered the Alliance's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of no matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 20, 2007, on the financial statements of Six County Employment Alliance

This information is intended solely for the use by the board of directors and management of the Six County Employment Alliance and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

December 20, 2007