Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Tri-County Aging Consortium	Ingham

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
9/30/06	1/24/07	3/30/07

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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe) Single Audit	☒	

Certified Public Accountant (Firm Name)	Telephone Number		
Abraham & Gaffney, P.C.	(517) 351-6836		
Street Address	**City**	**State**	**Zip**
3511 Coolidge Rd, Suite 100	East Lansing	MI	48823

Authorizing CPA Signature	Printed Name	License Number
Aaron M. Stevens	Aaron M. Stevens, CPA	1101024055

Tri-County Aging Consortium
Lansing, Michigan

FINANCIAL STATEMENTS

September 30, 2006

Tri-County Aging Consortium

September 30, 2006

ADMINISTRATIVE BOARD

Leonard Peters	Chairperson
Tina Weatherwax-Grant	Vice-Chairperson
Joan Bauer	Board member
Harold Leeman	Board member
Gerald Ambrose	Board member
Chris Swope	Board member
Mark Meadows	Board member
Jon Reynolds	Board member
Steve Dougan	Board member
Fritz Kellermann	Board member
Virginia Zeeb	Board member
Andy Schor	Board member
Mary Rademacher	Board member

ADMINISTRATION OFFICIALS

Marion Owen	Executive Director
Amy Colletti	Finance Director

Tri-County Aging Consortium

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September 30, 2006

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Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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East Lansing, MI 48823
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Aging Consortium, as of and for the year ended September 30, 2006, which collectively comprise the Consortium's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express 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 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 funds of the Tri-County Aging Consortium as of September 30, 2006, 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 a report dated January 24, 2007, on our consideration of the Tri-County Aging Consortium'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 budgetary comparison information as identified in the table of contents 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 24, 2007

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

As management of the Tri-County Aging Consortium, we offer our readers of the financial statements this narrative overview and analysis of the financial activities of Tri-County Aging Consortium for the fiscal year ended September 30, 2006.

Financial Highlights

This discussion and analysis is required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the main standard-setting body for governmental GAAP.

As shown on the Tri-County Aging Consortium's Statement of Net Assets listed in the following pages, assets exceeded liabilities by $1,972,169 at the end of the fiscal year, which represents a decrease from the prior year of $319,409.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding Tri-County Aging Consortium's basic financial statements. These statements are made up of three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the Statement of Net Assets and Governmental Funds Balance Sheet on a single page and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on a single page. The financial statements also contain required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The Statement of Net Assets presents information on all of Tri-County Aging Consortium's (the "Consortium") assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of the Consortium's overall financial position.

The Statement of Activities presents information showing how the Consortium's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Statement of Activities reports the costs of the services that the Consortium provides which are principally supported by State and Federal grant revenues. The governmental activities of the Consortium include regional planning, coordination, contracting and direct provision of services for clients through various programs that promote and preserve the independence and dignity of the aging population.

The Government-wide Financial Statements include only the Consortium itself. The Consortium has no legally separate component units for which the Consortium is financially accountable. In this report, combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activity. The General Fund, Grants Special Revenue Fund, and Capital Projects Fund are considered to be major funds for financial reporting purposes.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activities of the Consortium are accounted for in governmental funds.

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

Because the focus of the Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and the government-wide statements.

The Consortium adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for the required funds herein to demonstrate compliance with those budgets.

The Consortium does not maintain proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Consortium's financial statements. The notes to the financial statements can be found on pages 7 through 16 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* This is limited to management discussion and analysis and budgetary comparison schedules, as listed in the Table of Contents.

In the table below is the required the reporting model as listed in the Governmental Accounting Standards Board Statement No. 34. Listed in the tables is prior-year and current year information in order to present comparative analysis of government-wide data.

	Year Ended 9/30/06	Year Ended 9/30/05
Condensed Statement of Net Assets:		
Current and other assets	$ 3,667,878	$ 2,955,943
Capital assets	87,152	101,757
Total assets	**2,755,030**	**3,057,700**
Long-term liabilities outstanding	61,524	71,765
Other liabilities	721,337	694,357
Total liabilities	**782,861**	**766,122**
Net Assets:		
Invested in capital assets	87,152	101,757
Restricted for other purposes	824,373	1,122,829
Unrestricted	1,060,644	1,066,992
Total net assets	**$ 1,972,169**	**$ 2,291,578**

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

	Year Ended 9/30/06	Year Ended 9/30/05
Condensed Statement of Net Activities:		
Revenue		
Program Revenues	$ 10,947,812	$ 10,336,122
General Revenues	353,867	280,543
Total revenue	11,301,679	10,616,665
Expenses		
Health and Welfare	11,621,088	10,787,351
Change in Net Assets	**$(319,409)**	**$(170,686)**
Capital Assets and Debt Administration:		
Tri-County Aging Consortium Capital Assets		
Capital assets being depreciated:		
Leasehold improvements	$ 142,677	$ 142,677
Vehicles	146,752	128,164
Equipment	282,345	282,345
Sub-total	**571,774**	**553,186**
Accumulated Depreciation		
Leasehold improvements	114,142	104,630
Vehicles	107,527	88,520
Equipment	262,953	258,279
Total Accumulated Depreciation	**484,622**	**451,429**
Total capital assets being depreciated - net	**$ 87,152**	**$ 101,757**
Long-term Debt		
Total	**$ 76,905**	**$ 89,706**

Additional information on the Consortium's long-term debt can be found in Note F on page 13 of this report.

Economic Factors and Budgetary Highlights

The Consortium amended its 2006 budget during the fiscal year to reflect changes in State Grant Award amounts as well as increased costs for health, workers compensation, and general liability insurance. In 2006 the General Fund revenues were in excess over expenditures by $200,701 and the revenue for the Grants Special Revenue Fund was under expenditures by $480,728. Compared to 2005 the figures for the amount the General Fund expenditures exceeded revenues was by $202,948 and the revenue for the Grants Special Revenue Fund was under expenditures by ($251,266) in 2005. The results of operation in 2006 showed an improved financial position over 2005 for only the General Fund.

Tri-County Aging Consortium

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2006

As of the end of 2006, the Consortium reported combined ending fund balances in the Grants Special Revenue Fund of $141,695. That is a decrease of $340,979 in comparison with the prior year. This decrease is primarily due to one major factor. The HCBS Waiver program used its fund balance for services during the year to cover the Special Memorandums of Understanding (SMOU) and Nursing Facility Transitions (NFT) Services portion of its budget. The total amount is still undefined as the SMOU's and the NFT's are reimbursed at the settlement reconciliation for the contract year ended September 30, 2006, which is not complete as of this writing. Both SMOU's and NFT's are reimbursable over the HCBS Waiver Contract Cap agreement amount. These depletions are from *fund balances* that were *designated* for use within these programs.

During fiscal year 2006, the fund balance of the Consortium's General Fund increased by $60,952 over budgetary estimates. This is primarily attributable to cost saving measures implemented in prior periods. During fiscal year 2005 the fund balance of the Consortium's General Fund increased by $96,091 over the budgetary estimates. In 2006 there was less of an increase in fund balance over the prior period.

During fiscal year 2006, general fund expenditures were less than budgetary estimates, resulting in an actual increase in fund balance from the final amended budget amount by $73,239. For 2005 the actual increase in fund balance from the final amended budget amount was $1,316.

In all instances where actual expenditures exceeded appropriations in the final budget, overages were funded through the use of available fund balance and revenues.

Budget to actual comparisons for all other Consortium special revenue funds were generally favorable in varying degrees. Overall the financial position has decreased during the year with regard to Fund Balance amounts. This is due to the HCBS Waiver program settlement reconciliation not being complete for the FYE 2006. It is very likely that this fund balance decrease will be restored given that the State has given indication that reimbursement for the SMOU's and the NFT's will be close to 100%. The largest unavoidable rising cost is due to the increases in prescription coverage and medical insurance. Other costs that could have a large impact are staff cost of living increases and staff merit increases. In 2006 there was a 4% cost of living increase; however no merit increases were awarded to staff in order to keep costs down. Compared to 2005, in which there were no cost of living increases and no merit increases that were awarded to staff.

For the following components of the Grants Special Revenue Fund there was a significant decrease in the Statement of Grant Award over 2005: Title III-B Services decreased ($42,633); Title III-E Services (NFCSP) decreased ($42,567); State Senior Center Staffing was eliminated resulting in a decrease of ($37,803); State Respite Care decreased ($17,753); Care Management decreased ($3,515); and Senior Refugee Support Project Allocations had a decrease of ($9,328). Nutrition Services Incentive Program (NSIP) had an increase in the Statement of Grant Award from 2005 in the amount of $12,261.

The HCBS Waiver program had revenues of $6,290,836 and expenses of $6,438,523 in 2005. This was a net excess of ($147,687) of expenditures over revenue. In 2006 the HCBS Waiver program had revenues of $6,986,448 and expenses of $7,440,504. This was a net excess of ($429,717) of expenditures over revenue which is an increase of ($282,030) over the prior year.

Agency's Mission. Tri-County Aging Consortium's mission is to promote and preserve the independence and dignity of the aging population. Community Based services and supports are provided to a wide variety of adults ranging from those that are physically well to those that are physically frail. All services are targeted to those persons in greatest economic and social need with emphasis on low-income individuals, minorities and persons with disabilities.

Future Information

The funding is determined at the Federal and State level and at present no other cuts to services are anticipated. State cuts in our funding, however, could be made at any time, even in mid-year, that would have a significant effect on the Consortium's financial position or operations.

Requests for Information

This financial report is designed to provide a general overview of Tri-County Aging Consortium's finances for all those with an interest in the Consortium's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tri-County Office on Aging, 5303 South Cedar Street, Lansing, MI 48911.

BASIC FINANCIAL STATEMENTS

Tri-County Aging Consortium

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2006

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
ASSETS			
Cash and cash equivalents	$ 300,192	$ -	$ 49,208
Investments	492,274	420,787	522,411
Receivables			
Accounts receivable	9,295	47,565	-
Due from other governmental units	-	745,547	-
Due from other funds	402,753	-	-
Prepaids	800	-	-
Cash and cash equivalents - restricted	-	-	79,799
Capital assets, net	-	-	-
TOTAL ASSETS	$ 1,205,314	$ 1,213,899	$ 651,418
LIABILITIES			
Accounts payable	$ 7,878	$ 626,321	$ -
Accrued payroll	6,055	38,850	-
Other accrued liabilities	26,852	-	-
Due to other funds	-	402,753	-
Deferred revenue	17,640	4,280	-
Accrued compensated absences	-	-	-
TOTAL LIABILITIES	58,425	1,072,204	-0-
FUND BALANCES			
Reserved for			
Prepaids	800	-	-
Eating better/moving more	-	243	-
Capital campaign	-	-	651,418
Care management	-	51,777	-
Crisis management	-	20,009	-
Friends for life	228,405	-	-
City of Lansing	22,851	-	-
Designated for			
Title III-C2 state home delivered meals	-	69,666	-
Unreserved			
Undesignated, reported in General fund	894,833	-	-
TOTAL FUND BALANCES	1,146,889	141,695	651,418
TOTAL LIABILITIES AND FUND BALANCES	$ 1,205,314	$ 1,213,899	$ 651,418
NET ASSETS			
Invested in capital assets			
Restricted for other purposes			
Unrestricted			
TOTAL NET ASSETS			

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Net Assets
$ 349,400	$ -	$ 349,400
1,435,472	-	1,435,472
56,860	-	56,860
745,547	-	745,547
402,753	(402,753)	-0-
800	-	800
79,799	-	79,799
-0-	87,152	87,152
$ 3,070,631	(315,601)	2,755,030
$ 634,199	-	634,199
44,905	-	44,905
26,852	-	26,852
402,753	(402,753)	-0-
21,920	(21,920)	-0-
-0-	76,905	76,905
1,130,629	(347,768)	782,861
800	(800)	-0-
243	(243)	-0-
651,418	(651,418)	-0-
51,777	(51,777)	-0-
20,009	(20,009)	-0-
228,405	(228,405)	-0-
22,851	(22,851)	-0-
69,666	(69,666)	-0-
894,833	(894,833)	-0-
1,940,002	(1,940,002)	-0-
$ 3,070,631		
	87,152	87,152
	824,373	824,373
	1,060,644	1,060,644
	$ 1,972,169	$ 1,972,169

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2006

Total fund balance - governmental funds		$ 1,940,002
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 571,774	
Accumulated depreciation is	(484,622)	
Capital assets, net		87,152
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		
Deferred revenue		21,920
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Compensated absences		(76,905)
Net assets of governmental activities		$ 1,972,169

See accompanying notes to financial statements.

Tri-County Aging Consortium

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	General	Grants Special Revenue	Capital Projects (Capital Campaign)
EXPENDITURES/EXPENSES			
Health and welfare	$ 378,775	$ 11,187,988	$ 52,521
PROGRAM REVENUES			
Charges for services	-	462,925	-
Operating grants and contributions	252,493	10,232,406	13,156
TOTAL PROGRAM REVENUES	252,493	10,695,331	13,156
NET PROGRAM EXPENSES	(126,282)	(492,657)	(39,365)
GENERAL REVENUES			
Interest	51,234	11,929	14,955
Municipal appropriations	275,749	-	-
TRANSFERS	(139,749)	139,749	-
TOTAL GENERAL REVENUES AND TRANSFERS	187,234	151,678	14,955
NET CHANGE IN FUND BALANCES	60,952	(340,979)	(24,410)
CHANGE IN NET ASSETS	-	-	-
Fund balances/net assets, beginning of the year	1,085,937	482,674	675,828
Fund balances/net assets, end of the year	$ 1,146,889	$ 141,695	$ 651,418

See accompanying notes to financial statements.

Total Governmental Funds	Adjustments	Statement of Activities
$ 11,619,284	$ 1,804	$ 11,621,088
462,925	-	462,925
10,498,055	(13,168)	10,484,887
10,960,980	(13,168)	10,947,812
(658,304)	(14,972)	(673,276)
78,118	-	78,118
275,749	-	275,749
-0-	-	-0-
353,867	-0-	353,867
(304,437)	304,437	-0-
-0-	(319,409)	(319,409)
2,244,439	47,139	2,291,578
$ 1,940,002	$ 32,167	$ 1,972,169

Tri-County Aging Consortium

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balances - total governmental funds		$ (304,437)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 18,588	
Depreciation expense	(33,193)	
Excess of depreciation expense over capital outlay		(14,605)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(13,168)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued compensated absences		12,801
Change in net assets of governmental activities		$ (319,409)

See accompanying notes to financial statements.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-County Aging Consortium (the "Consortium") is the designated Area Agency on Aging (AAA) for Region VI of Michigan (Ingham, Clinton, and Eaton Counties). As an AAA, the Consortium is responsible for regional planning and coordination of services for older people. This designation dates back to April 1974, when the first Area Plan for this region was approved by the State of Michigan Offices of Services to the Aging.

The Consortium began in 1972 when a grant from the State Commission on Aging was awarded to the Lansing Planning Department to conduct a needs survey for Lansing elderly. As a result of this research, the Lansing City Council created a Senior Citizens Department in January 1974. Later that year, the Department secured the necessary two thirds approvals of the Boards of Commissioners of Ingham, Clinton, and Eaton Counties to apply for designation as an Area Agency on Aging under the Older Americans Act.

The Consortium Board, the policy-making body for the agency, was established under the Urban Cooperation Act of 1967. The Consortium's thirteen-member board features the combined input and representation from the Lansing Mayor's Office, Lansing City Council, East Lansing City Council, and the Boards of Commissioners of Ingham, Clinton, and Eaton Counties. Each of the governmental bodies contributes local funds which finance a portion of the Consortium's activities. The Consortium then pursues other funding sources to bring tax dollars back into the region for the purpose of providing services to senior citizens.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Tri-County Aging Consortium.

2. Basis of Presentation

Combined financial statements are provided for the Governmental Funds Balance Sheet and the Statement of Net Assets and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Consortium as a whole.

The statement of activities presents the direct functional expenses of a given function or segment and the program revenues that support them. Direct expenses are specifically associated with a function or segment and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Consortium.

FUND FINANCIAL STATEMENTS

The Consortium uses three funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Consortium's major funds.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Consortium are:

a. General Fund - This fund is the Consortium's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.

b. Grants Special Revenue Fund - This fund reports grant program revenues and expenditures of Federal and State grant monies primarily passed through the Offices on Services to the Aging (OSA).

c. Capital Projects Fund - This fund accounts for the acquisition of capital assets or construction of major capital projects.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Consortium reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Consortium receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Measurement Focus

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The annual budget of the Consortium is prepared by Consortium management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the Consortium's checking and savings accounts, imprest cash, certificates of deposit, and money market funds.

7. Restricted Cash

Restricted cash consists of an endowment fund held by the Capital Region Community Foundation for building and equipment purchases by the Meals on Wheels program.

8. Investments

Investments consist of the Consortium's holdings in bonds and U.S. Treasury obligations with an original maturity in excess of 90 days.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the Consortium at year-end.

10. Interfund Transactions

During the course of normal operations, the Consortium has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers.

11. Prepaids

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures/expenses.

12. Capital Assets

Capital assets include equipment, vehicles, and leasehold improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more, with estimated useful lives of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Vehicles	6 years
Equipment	10 years

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

The Consortium's policy is to permit employees to accumulate earned but unused vacation time, subject to varying amounts based on length of service. This amount has been recorded in the statement of net assets.

14. Deferred Revenue

Deferred revenue consists of amounts related to long-term assets recorded at the fund level that are not available to finance current period expenditures and are therefore deferred. Since these revenues have been earned, they are not deferred in the government-wide financial statements.

15. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

16. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Consortium is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or Federal agency obligations repurchase agreements.

5. Bankers acceptances of United States Banks.

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

The Consortium's bank deposits at September 30, 2006, are composed of the following:

	Carrying Amount	Bank Balance
Regular checking	$ 311,298	$ 380,565
Certificates of deposit	37,802	37,802
	$ 349,100	$ 418,367

The cash and cash equivalents reported in the basic financial statements included $300 in imprest cash.

The Consortium holds $79,799 in an Endowment Fund with Capital Region Community Foundation, which is included in restricted cash.

Bank deposits of the Consortium are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Consortium. As of September 30, 2006, the Consortium's accounts were insured by the FDIC for $137,802 and the amount of $280,565 was uninsured and uncollateralized.

Investments

As of September 30, 2006, the carrying amounts and market values for each investment are as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity	Moody's Rating
PRIMARY GOVERNMENT				
Insured or registered for which the securities are held by the Consortium's agent in the Consortium's name – Uncategorized				
Federal National Mortgage Association	$ 301,709	$ 301,709	190 months	Aaa
Government National Mortgage Association	142,869	142,869	261 months	Aaa
Federal Home Loan Mortgage Corporation	250,331	250,331	113 months	Aaa
Federal Home Loan Bank Bond	183,187	183,187	41 months	Aaa
U.S. Treasury Notes	557,376	557,376	57 months	Not rated
	$ 1,435,472	$ 1,435,472		

The investments are insured and registered with securities held by Linsco/Private Ledger Financial Services, Inc. The maximum insurance for investments with Linsco/Private Ledger Financial Services, Inc. is provided by the Securities Investor Protection Act at $500,000 each.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Rating information for the Consortium's investments is presented in the preceding table.

Interest rate risk

The Consortium will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Consortium's cash requirements.

Concentration of credit risk

The Consortium will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Consortium's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Consortium will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed above as authorized investments, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Consortium will do business.

NOTE C: CAPITAL ASSETS

The following provides a summary of the changes in capital assets for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Leasehold improvements	$ 142,677	$ -	$ -	$ 142,677
Vehicles	128,164	18,588	-	146,752
Equipment	282,345	-	-	282,345
	553,186	18,588	-0-	571,774
Less accumulated depreciation for:				
Leasehold improvements	104,630	(9,512)	-	114,142
Vehicles	88,520	(19,007)	-	107,527
Equipment	258,279	(4,674)	-	262,953
Total accumulated depreciation	451,429	(33,193)	-0-	484,622
Capital assets, net	$ 101,757	$(14,605)	$ -0-	$ 87,152

NOTE D: INTERFUND RECEIVABLE AND PAYABLES

The following schedule details interfund receivables and payables at September 30, 2006:

Due to General Fund from:	
Grants Special Revenue Fund	$ 402,753

Amounts appearing as interfund payables and receivables arise from transactions where a fund has made expenditures in excess of current cash on hand and has required short-term financing from another fund.

NOTE E: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Grants Special Revenue Fund from:	
General Fund	$ 139,749

NOTE F: LONG-TERM DEBT

The following is a summary of the changes in long-term debt (including current portion) of the Consortium for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006	Amounts Due Within One Year
Accumulated compensated absences	$ 89,706	$ -	$ 12,801	$ 76,905	$ 15,381

Accumulated Compensated Absences

In accordance with Consortium personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused vacation under formulas and conditions specified in their personnel policies handbook.

The dollar amount of these vested rights including related payroll taxes, amounted to $76,905 for vacation leave at September 30, 2006. This amount has been reported as a liability in the government-wide financial statements.

NOTE G: RETIREMENT PLAN

Plan Description

The Consortium participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Consortium. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

NOTE G: RETIREMENT PLAN - CONTINUED

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Directors. The plan requires no contribution from the employees.

Annual Pension Cost

For the year ended September 30, 2006, the Consortium's annual pension cost of $186,000 for the plan was equal to the Consortium's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	2003	2004	2005
Actuarial value of assets	$ 4,536,525	$ 4,870,814	$ 5,195,888
Actuarial accrued liability (AAL) (entry age)	4,164,750	4,445,889	4,653,152
(Overfunded) AAL	(371,775)	(424,925)	(542,736)
Funded ratio	109 %	110 %	112 %
Covered payroll	1,929,247	2,038,902	1,919,970
UAAL as a percentage of covered payroll	0 %	0 %	0 %

	Year Ended September 30,		
	2004	2005	2006
Annual pension cost	$ 192,175	$ 188,417	$ 186,000
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE H: RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which they carry commercial insurance. During the year ended September 30, 2006, the Consortium has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.

NOTE I: NON-CANCELABLE OPERATING LEASE OBLIGATIONS

The Tri-County Aging Consortium has entered into a twenty-year, non-cancelable long-term lease requiring monthly payments of $13,605 through December 2017. In addition, the Consortium pays monthly operating expenses of $7,712, which is adjusted annually to reflect the actual cost. For the year ended September 30, 2006, the Consortium was required to pay an additional $63,472 for 2005 operating expenses. The following is a schedule of future minimum lease payments required under this operating lease as of September 30, 2006.

NOTE I: NON-CANCELABLE OPERATING LEASE OBLIGATIONS - CONTINUED

Future minimum payments are as follows:

2007	$ 163,260
2008	163,260
2009	163,260
2010	163,260
2011	163,260
2012-2016	816,300
2017	40,815
TOTAL PAYMENTS	$ 1,673,415

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the Consortium has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2006:

General Fund	
Reserved for	
Prepaids	$ 800
Friends for life	228,405
City of Lansing	22,851
	252,056
Grants Special Revenue Fund	
Reserved for	
Eating better/moving more	243
Care management	51,777
Crisis management	20,009
	72,029
Capital Projects Fund	
Reserved for	
Capital campaign	651,418
TOTAL REPORTING ENTITY	$ 975,503

The following is the fund balance designation as of September 30, 2006:

Special Revenue Fund	
Designated for	
Title III-C2 state home delivered meals	$ 69,666

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2006:

Governmental activities	
Restricted for other purposes	
Eating better/moving more	$ 243
Capital campaign	651,418
Care management	51,777
Crisis management	20,009
Nutritional supplemental	78,075
City of Lansing	22,851
	$ 824,373

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Consortium's budgeted expenditures in the General and Grants Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Consortium have been adopted at the total expenditure level for the General Fund and the Grants Special Revenue Fund.

During the year ended September 30, 2006, the Consortium incurred expenditures in the Grants Special Revenue Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
Grants Special Revenue Fund	$10,702,275	$11,187,987	$ 485,712

NOTE L: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the Consortium provides prescription coverage for retired employees. Substantially all of the Consortium's employees may become eligible for these benefits if they worked as a full, three-quarter or part time position at the time of retirement.

The cost of prescription coverage is recognized as an expense as insurance premiums are paid. For the year ended September 30, 2006, those costs totaled $20,348.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	$ 5,000	$ 10,000	$ -	$ (10,000)
Other grants - local sources	254,490	254,490	241,086	(13,404)
Municipal appropriations				
City of Lansing	79,166	79,166	124,666	45,500
City of East Lansing	12,360	12,360	12,360	-0-
Ingham County	57,829	57,829	55,217	(2,612)
Clinton County	31,483	31,483	31,254	(229)
Eaton County	52,252	52,252	52,252	-0-
Interest	51,234	51,234	51,234	-0-
Contributions	2,011	11,000	11,407	407
TOTAL REVENUES	545,825	559,814	579,476	19,662
EXPENDITURES				
Health and welfare				
Salaries and wages	188,744	193,598	157,430	36,168
Fringe benefits	70,621	70,184	68,409	1,775
Operating expenditures	151,787	149,730	132,431	17,299
Professional services	28,548	35,459	18,114	17,345
Travel and training	3,300	3,043	2,391	652
TOTAL EXPENDITURES	443,000	452,014	378,775	73,239
EXCESS OF REVENUES OVER EXPENDITURES	102,825	107,800	200,701	92,901
OTHER FINANCING (USES)				
Transfers out	(102,825)	(107,800)	(139,749)	(31,949)
NET CHANGE IN FUND BALANCE	-0-	-0-	60,952	60,952
Fund balance, beginning of year	1,085,937	1,085,937	1,085,937	-0-
Fund balance, end of year	$ 1,085,937	$ 1,085,937	$ 1,146,889	$ 60,952

Tri-County Aging Consortium

Grants Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	$ 501,931	$ 458,052	$ 462,925	$ 4,873
Intergovernmental - Federal/State	9,476,685	9,738,879	10,062,639	323,760
Other grants - local sources	47,952	334,894	118,115	(216,779)
Interest	13,290	13,290	11,929	(1,361)
Contributions	49,360	49,360	51,652	2,292
TOTAL REVENUES	10,089,218	10,594,475	10,707,260	112,785
EXPENDITURES				
Health and welfare				
Salaries and wages	1,980,922	2,062,500	2,112,701	(50,201)
Fringe benefits	676,519	673,564	671,780	1,784
Operating expenditures	1,358,658	1,292,683	1,278,839	13,844
Professional services	20,464	20,464	18,188	2,276
Subcontractor expenditures	6,002,356	6,499,940	6,982,483	(482,543)
Travel and training	153,124	153,124	123,997	29,127
TOTAL EXPENDITURES	10,192,043	10,702,275	11,187,988	(485,713)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(102,825)	(107,800)	(480,728)	(372,928)
OTHER FINANCING SOURCES				
Transfers in	102,825	107,800	139,749	31,949
NET CHANGE IN FUND BALANCE	-0-	-0-	(340,979)	(340,979)
Fund balance, beginning of year	482,674	482,674	482,674	-0-
Fund balance, end of year	$ 482,674	$ 482,674	$ 141,695	$ (340,979)

OTHER SUPPLEMENTARY INFORMATION

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES

Year Ended September 30, 2006

	Title III Administrative	Title III-B Services	Title III-C1 Nutrition
REVENUES			
Charges for services	$ -	$ 1,725	$ 142,447
Intergovernmental - Federal/State	141,176	351,171	452,741
Other grants - local sources	-	-	-
Interest	-	-	-
Contributions	-	-	402
TOTAL REVENUES	141,176	352,896	595,590
EXPENDITURES			
Health and welfare			
Salaries and wages	83,947	83,189	161,123
Fringe benefits	31,859	27,870	49,887
Operating expenditures	19,345	4,783	362,198
Professional services	5,055	-	2,212
Subcontractor expenditures	-	222,284	7,568
Travel and training	970	-	12,602
TOTAL EXPENDITURES	141,176	338,126	595,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	14,770	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(14,770)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(14,770)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ -0-	$ -0-	$ -0-

Title III-C2 State Home Delivered Meals	Title III-D Services	Crisis Management	Elder Abuse Prevention	HCBS Waiver	Alternative Care
$ 309,924	$ 429	$ -	$ -	$ -	$ -
1,092,346	25,058	-	5,944	6,976,154	156,334
89,541	-	-	-	-	-
1,133	-	502	-	10,294	-
27,753	-	23,443	-	-	-
1,520,697	25,487	23,945	5,944	6,986,448	156,334
538,266	-	-	-	981,537	-
181,402	-	-	-	297,701	-
735,068	-	36	-	98,391	-
5,212	-	-	-	4,890	-
-	25,487	22,804	5,944	6,039,542	156,334
87,172	-	-	-	18,443	-
1,547,120	25,487	22,840	5,944	7,440,504	156,334
(26,423)	-0-	1,105	-0-	(454,056)	-0-
95,000	-	10,000	-	24,339	-
-	-	-	-	-	-
95,000	-0-	10,000	-0-	24,339	-0-
$ 68,577	$ -0-	$ 11,105	$ -0-	$ (429,717)	$ -0-

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2006

	Care Management	Respite	Medicare/ Medicaid Assistance
REVENUES			
Charges for services	$ -	$ 7,445	$ -
Intergovernmental - Federal/State	252,789	202,176	22,938
Other grants - local sources	9,802	-	17,847
Interest	-	-	-
Contributions	54	-	-
TOTAL REVENUES	262,645	209,621	40,785
EXPENDITURES			
Health and welfare			
Salaries and wages	135,662	-	41,367
Fringe benefits	44,853	-	5,667
Operating expenditures	37,519	11,900	3,003
Professional services	819	-	-
Subcontractor expenditures	51,989	197,721	-
Travel and training	2,798	-	1,121
TOTAL EXPENDITURES	273,640	209,621	51,158
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,995)	-0-	(10,373)
OTHER FINANCING SOURCES			
Transfers in	20,410	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,410	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ 9,415	$ -0-	$ (10,373)

Title IIIE Services	Senior Refugee Project	State In-Home Care	State Access Service	Scams and Frauds	National Association of Area Agencies on Aging
$ 955	$ -	$ -	$ -	$ -	$ -
164,929	19,500	104,720	31,779	340	27,544
-	-	-	-	925	-
-	-	-	-	-	-
-	-	-	-	-	-
165,884	19,500	104,720	31,779	1,265	27,544
19,115	9,216	-	22,410	-	5,081
5,770	2,550	-	9,369	-	695
5,349	8	-	-	953	-
-	-	-	-	-	-
135,650	12,440	104,720	-	-	-
-	56	-	-	-	-
165,884	24,270	104,720	31,779	953	5,776
-0-	(4,770)	-0-	-0-	312	21,768
-	4,770	-	-	-	-
-	-	-	-	-	-
-0-	4,770	-0-	-0-	-0-	-0-
$ -0-	$ -0-	$ -0-	$ -0-	$ 312	$ 21,768

Tri-County Aging Consortium

Grants Special Revenue Fund

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2006

	Self Determination	Total
REVENUES		
Charges for services	$ -	$ 462,925
Intergovernmental - Federal/State	35,000	10,062,639
Other grants - local sources	-	118,115
Interest	-	11,929
Contributions	-	51,652
TOTAL REVENUES	35,000	10,707,260
EXPENDITURES		
Health and welfare		
Salaries and wages	31,788	2,112,701
Fringe benefits	14,157	671,780
Operating expenditures	286	1,278,839
Professional services	-	18,188
Subcontractor expenditures	-	6,982,483
Travel and training	835	123,997
TOTAL EXPENDITURES	47,066	11,187,988
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,066)	(480,728)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	154,519
Transfers out	-	(14,770)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	139,749
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (12,066)	$ (340,979)

Tri-County Aging Consortium

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Revenues	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Office of Services to the Aging			
Title IIIC	10.550		
Food Donation		$ 228,452	$ 228,452
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Office of Services to the Aging			
Title VII Elder Abuse Prevention	93.041	5,944	5,944
Title IIID In-Home Services	93.043	25,058	25,058
Aging Cluster			
Title III Area Agency Administration	93.044	120,691	120,691
Title IIIB Support Services	93.044	351,171	351,171
Title IIIC	93.045		
Congregate Meals		350,734	350,734
Home Delivered Meals		219,231	219,231
Total Aging Cluster		1,041,827	1,041,827
Title IIIE Services	93.052	164,929	164,929
Michigan Senior Refugee Project	93.576	19,500	19,500
Medicare/Medicaid Assistance Program	93.779	22,938	22,938
Total passed through Michigan Office of Services to the Aging		1,280,196	1,280,196
Passed through Michigan Department of Community Health			
Medical Assistance [a]	93.778		
HCBS/ED - Waiver		4,189,490	4,189,490
Nursing Home Ombudsman (NHO)		11,809	11,809
		4,201,299	4,201,299
TOTAL FEDERAL AWARD EXPENDITURES		$ 5,709,947	$ 5,709,947

Tri-County Aging Consortium

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Tri-County Aging Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

(a) Denotes program tested as "major program".

(b) The following reconciles the federal revenues reported in the September 30, 2006, fund financial statements to the expenditures of the Consortium administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	
Grants Special Revenue Fund	$ 10,062,639
Less: Portions of grant funding considered "State" funding	(4,352,692)
	$ 5,709,947

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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

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Tri-County Aging Consortium as of and for the year ended September 30, 2006, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated January 24, 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 the Tri-County Aging Consortium 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 an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tri-County Aging Consortium 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 testing disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the Consortium in a separate letter dated January 24, 2007.

This report is intended for the information and use of the Board of Directors and management, the 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.

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Certified Public Accountants

January 24, 2007

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

Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Compliance

We have audited the compliance of the Tri-County Aging Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the year ended September 30, 2006. The Tri-County Aging Consortium's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the Tri-County Aging Consortium management. Our responsibility is to express an opinion on the Tri-County Aging Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit 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 Tri-County Aging Consortium's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tri-County Aging Consortium's compliance with those requirements.

In our opinion, the Tri-County Aging Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the Tri-County Aging Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tri-County Aging Consortium's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) 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 caused by error or fraud 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 for the information and use of the Board of Directors and management, the 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.

Abraham & Gaffney, P.C.

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Certified Public Accountants

January 24, 2007

Tri-County Aging Consortium

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2006

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	X	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____	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
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?	_____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.778	Medical Assistance Program

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

None

Section III - Federal Award Findings and Questioned Costs

None

Tri-County Aging Consortium

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2006

There were no findings disclosed for the past two years.

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MANAGEMENT LETTER

To the Board of Directors
Tri-County Aging Consortium
Lansing, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of the Tri-County Aging Consortium's records for the year ended September 30, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the systems. These suggestions are a result of our evaluation of the internal controls and our discussions with management.

1. Budgets should be monitored and amended when necessary.

   As noted in the financial statements, some of the activities of the Consortium exceeded the amounts appropriated. The variances noted were in the Grants Special Revenue Fund. This issue was noted and reported in our audit comments last year.

   The Michigan Public Act 621 of 1978, as amended, provides that the Consortium adopt formal budgets for all applicable General and Grants Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

   We suggest the Consortium monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

2. The Consortium should prepare for implementation of GASB Statement #45.

   The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Consortium the year ended September 30, 2009.

   The Consortium is subject to this new standard in that it pays a portion toward the cost of prescriptions for retirees.

   We would like the Board to be aware of this upcoming change and also suggest that the Consortium begin to discuss options for implementing this new standard. The Board has the option of contracting with an actuary to determine the total liability and required contribution amount or calculating the liability and required contribution amount using the alternate method described in GASB Statement No. 45.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated January 24, 2007.

This report is intended solely for the information of the Board of Directors of the Tri-County Aging Consortium and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 24, 2007