

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Lakeshore Coordinating Council	County	OTTAWA	Type	OTHER	MuniCode	70-7-529
Opinion Date	February 28, 2008	Audit Submitted	June 19, 2008	Fiscal Year	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified?      14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies?       19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 6,624,914.00
General Fund Expenditure:	\$ 6,571,293.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 75,310.00
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	William	Last Name	Hirschman	Ten Digit License Number	1101016179				
CPA Street Address	308 Gratiot Ave	City	Alma	State	MI	Zip Code	48801	Telephone	+1 (989) 463-6123
CPA Firm Name	Roslund, Prestage & Co., PC	Unit's Street Address	308 Gratiot Ave	City	Alma	Zip Code	48801		

**Financial Statements**  
**Lakeshore Coordinating Council**  
**September 30, 2007**



Roslund, Prestage & Company, P.C.  
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Lakeshore Coordinating Council  
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September 30, 2007

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## INDEPENDENT AUDITOR'S REPORT

Lakeshore Coordinating Council  
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeshore Coordinating Council (the Council), as of and for the year ended September 30, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows 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 February 28, 2008 on our consideration of the Council'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 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The other supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Council. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C." The signature is written in black ink on a light-colored background.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

February 28, 2008

# MANAGEMENT'S DISCUSSION AND ANALYSIS



**Lakeshore Coordinating Council**  
**Financial Statements for the Fiscal Year Ended September 30, 2007**  
**Management's Discussion and Analysis**

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The Lakeshore Coordinating Council (LCC) is a regional substance abuse coordinating agency (CA) designated by the Michigan Department of Community Health (MDCH) under Public Act 368 of 1978, as amended. LCC was formed by an interlocal agreement in 1996 and operates under the terms of the Urban Cooperation Act. Originally there were six participating counties: Allegan, Berrien, Cass, Muskegon, Ottawa, and Van Buren. As of fiscal year 2002/2003, Van Buren County aligned with another CA; and the LCC region now consists of five member counties.

LCC initially managed the funding for the Medicaid substance abuse services carve-out for the entire LCC region with a direct contract from MDCH. Beginning in fiscal year 2002/2003, the MDCH contracted for Medicaid Specialty Services through designated Prepaid Inpatient Health Plans (PIHPs), which were defined by MDCH as community mental health agencies (CMH) or groups of CMH agencies that consisted of a minimum of 20,000 Medicaid covered lives. The LCC five-county region counties became divided into three CMH-PIHP sub-regions, and affiliation agreements were developed with these three CMH-PIHPs. Medicaid funding for Allegan and Cass Counties came to Kalamazoo CMH; Medicaid funding for Berrien County came to Calhoun County CMH (a.k.a. Summit Pointe/Venture); and Medicaid funding for Muskegon and Ottawa Counties came to Muskegon County CMH.

Difficulties were encountered with this arrangement since each PIHP sub-region had to be managed separately despite substance abuse services funding being based on the coordinating agency region's experience. Because the funding was now subdivided, LCC could no longer shift available Medicaid funding where it was needed within the region. This resulted in one PIHP sub-region lapsing Medicaid funding while another PIHP sub-region had to dip into the risk pool. It also resulted in local inequities of benefit for the consumers. Consumers from one PIHP sub-region could get authorized generous residential and subacute detox services while consumers from another PIHP sub-region couldn't get any of these allowable services as a Medicaid benefit.

After MDCH's 1915-B Medicaid waiver with the federal government was renewed, creating "B" basic plan services and "B-3" additional plan services (i.e. subacute detox and residential care), these services became a consistent benefit in the LCC region and throughout the state. MDCH also issued a Technical Advisory letter that allowed Medicaid funding to be managed regionally by the CA within the CA's region. However there have been aggressive moves by area community mental health directors and affiliations to control Medicaid substance abuse service funding outside the coordinating agency system. Within the LCC region, Calhoun County CMH, chose not to allow the regional CA (LCC) to manage the Medicaid funds for Berrien County effective January 1, 2006. Kalamazoo CMH begun directly managing the substance abuse Medicaid funds for Allegan and Cass counties effective October 1, 2006. Neither arrangement was shown to be necessary or approved by MDCH, but the CMHs were not challenged at MDCH. Although these changes may have been made in an attempt to centralize and consolidate substance abuse costs and management functions, state financial and CA comparisons data has not supported this theory. LCC has consistently managed Medicaid funds with very low administrative costs, below those of most CMHs.

**Lakeshore Coordinating Council**  
**Financial Statements for the Fiscal Year Ended September 30, 2007**  
**Management's Discussion and Analysis**

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Unfortunately with the changes in Medicaid funds management, LCC's opportunity to use Medicaid expenses toward its Community Grant spending target for Women's Specialty Services has been reduced, thereby affecting the amount of Block Grant funds able to be used to support other regional substance abuse services.

In FY06/07, the Adult Benefit Waiver (ABW) funding block grant match requirement was 30.53 percent of total ABW expenditures. However, more than the minimum block grant match required continues to be used to help cover ABW client expenditures that exceeded the ABW revenue received.

In accordance with the Public Act 2 statute, LCC counties continue to forward 50% of their respective county's PA2 funds to LCC for distribution to local service agencies for direct substance abuse treatment and/or prevention services. LCC is expected to recycle these funds back to the counties for the counties to hold. Agreements have been maintained and have enabled us to show this local match funding when it is received and spent for direct substance abuse services. Unspent funds from one year may be carried over and used for direct substance abuse treatment and/or prevention services in a subsequent year.

LCC continued to contract with the MDCH for the Block Grant funded services for residents of Allegan, Berrien, Cass, Ottawa, and Muskegon counties. In FY06/07 Block Grant funding accounted for 78.2% of LCC revenues received from MDCH, Medicaid funding accounted for 19.5%, ABW funding accounted for 2.1%, and MICHild funding accounted for 0.2%.

**Financial Statements:**

Two types of financial statements are provided: Government-Wide Financial Statements and Fund Financial Statements.

**Government-wide financial statements** are designed to present the organization's finances in a layout similar to that of a private sector business. They consist of a Statement of Net Assets (providing historical balance sheet information), which shows the difference between assets and liabilities; and a Statement of Activities (providing historical income statement information), which shows revenues and expenses and the change in net assets from the previous year.

**Fund financial statements** offer a series of statements that focus on the major governmental funds. They report information using the modified accrual basis of accounting. For LCC, the major funds consist of the general fund and the proprietary fund. The general fund statements identify activities of our day-to-day operations.

The proprietary fund identifies funds set aside as the Internal Service Funds for Medicaid risk management. Reconciliations are also offered between the Fund Financial Statements and the Government-wide Statements.

**Lakeshore Coordinating Council**  
**Financial Statements for the Fiscal Year Ended September 30, 2007**  
**Management's Discussion and Analysis**

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Comparison with Prior Year

LCC's total net assets show an increase of \$34,051 for fiscal year 2006/2007, as compared to a decrease of \$56,003 in the prior year.

<b>Net Assets</b>	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
Current and Other Assets	1,410,380	1,180,975
Capital Assets – Depreciable, Net	9,479	9,725
<b>Total Assets</b>	----- 1,419,859	----- 1,190,700
Current Liabilities	1,335,070	1,139,716
<b>Total Liabilities</b>	----- 1,335,070	----- 1,139,716
<b>Net Assets:</b>		
Invested in Capital Assets	9,479	9,725
Unrestricted	75,310	41,259
<b>Total Net Assets</b>	----- \$84,789 =====	----- \$ 50,984 =====

Analysis of Overall Financial Position

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
Substance Abuse Block Grant	\$3,964,149	\$4,514,962
Substance Abuse-Medicaid	993,212	1,258,554
MICchild	5,840	7,433
Adult Benefit Waiver	107,931	104,146
Shelter Plus Care Grant	28,233	-
PA2	1,494,882	1,280,186
Other	30,668	36,146
<b>Total Revenues</b>	----- 6,624,914	----- 7,201,427
<b>Expenses</b>		
Payments to Subrecipients (incl. HIV)	4,373,389	5,250,307
LCC Expenses (incl. CA Methamphetamine & HIV)	520,431	580,019
Adult Benefit Waiver, MI Child, Other	170,303	144,767
PA2 Payments	1,447,380	1,280,186
SPF/SIG	31,557	-
Shelter Plus Care Grant	28,233	-
<b>Total Expenses</b>	----- 6,571,293	----- 7,255,279
<b>Excess of Rev. Over (Under) Exp.</b>	----- \$53,621	----- (\$53,852)
Prior Period Adjustment	(19,570)	(2,151)
<b>Change in Net Assets</b>	----- \$34,051 =====	----- (\$56,003) =====

**Lakeshore Coordinating Council**  
**Financial Statements for the Fiscal Year Ended September 30, 2007**  
**Management's Discussion and Analysis**

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Currently Known Information Affecting the Future

MDCH has rebased the Medicaid funding in an effort to achieve more equitable funding amongst all CMHSPs/PIHP regions. For years, as the Medicaid population and penetration rates continued to change, the funding levels remained the same. As the State makes efforts to address this issue, the Muskegon/Ottawa PIHP affiliation can expect to see a significant increase in Medicaid funds for its counties.

LCC's Methamphetamine Grant funding ended February 28, 2007. This grant supported LCC's ability to assess, address, and work to resolve the regional needs relating to methamphetamine use, abuse, and manufacturing in conjunction with other existing law enforcement efforts.

The SAMHSA/CSAP awarded the Michigan Department of Community Health Office of Drug Control Policy (MDCH/ODCP) a Strategic Prevention Framework State Incentive Grant (SPF/SIG) to help achieve various federal outcome goals. The goals are to build prevention capacity and infrastructure, to prevent the onset and reduce the progression of substance abuse including childhood and underage drinking, and to reduce substance abuse related problems in communities. LCC applied for funding under this grant and began receiving funds from the MDCH/ODCP in FY 06/07 to help develop, carryout, and achieve the SPF/SIG goals. LCC expects to continue receiving funding under this grant through the end of Fiscal Year 08/09.

In FY07, LCC also began receiving funds from MDCH to support a special Shelter Plus Care housing assistance grant for homeless clients involved in substance abuse treatment and with dual addiction and mental illness histories. The grant supports apartment rents coupled with community services to improve the chances of successful and increased self-sufficiency for clients and families selected for the program. The grant provides services for Allegan and Berrien County clients. LCC expects to continue receiving funding to support these services for the remainder of the grant period which ends September 30, 2010. LCC works cooperatively with Allegan CMH and Riverwood (Berrien) CMH to distribute these funds.

In January 2007, the MDCH authorized Cass County to change their Coordinating Agency designation from Lakeshore Coordinating Council to Kalamazoo Community Mental Health and Substance Abuse Services, effective October 1, 2007. This change will reduce the number of counties in the LCC region from five to four. The remaining 4 counties will be: Muskegon, Ottawa, Allegan, and Berrien. This change will negatively impact the administrative efficiencies of the remaining LCC regional network.

The MDCH approval of the Cass County change did not demand any supporting documentation or comprehensive planning to show how such a change would impact the substance abuse treatment and prevention services in Cass County and the surrounding areas in the State of Michigan. We can conclude, based on previous decisions supported by the State, without looking at the whole picture, that further changes will be made to the public substance abuse system by default and in bits and pieces. It is disappointing to see so little real planning being supported at the state level.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



LAKESHORE COORDINATING COUNCIL  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007 AND 2006

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$1,103,470	\$1,038,828
Due from other governmental units	242,895	79,378
Cash and cash equivalents - restricted	64,016	62,769
Total current assets	<u>1,410,380</u>	<u>1,180,975</u>
Noncurrent assets		
Capital assets - depreciable, net	<u>9,479</u>	<u>9,725</u>
Total assets	<u>1,419,859</u>	<u>1,190,700</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	909,676	624,133
Deferred revenue	15,908	25,091
Due to other governmental units	369,500	454,439
Accrued wages and other payroll liabilities	16,520	6,160
Compensated absences	23,466	23,466
Other liabilities	-	6,427
Total current liabilities	<u>1,335,070</u>	<u>1,139,716</u>
<b>Net assets</b>		
Invested in capital assets	9,479	9,725
Unrestricted	<u>75,310</u>	<u>41,259</u>
Total net assets	<u><u>\$84,789</u></u>	<u><u>\$50,984</u></u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007 AND 2006

Functions	Program Revenues			Net (Expense) Revenue and Changes Net Assets	2006
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Health & welfare - substance abuse	<u>\$6,571,539</u>	<u>\$558</u>	<u>\$6,594,246</u>	\$23,265	(\$26,512)
General revenues					
Unrestricted investment earnings				30,110	33,036
Restricted investment earnings				-	2,393
Total general revenues and contributions				<u>30,110</u>	<u>35,429</u>
Transfers in (out)				-	(62,769)
Change in net assets				53,375	(53,852)
Net assets - beginning of year				50,984	106,987
Prior period adjustments				(19,570)	(2,151)
Net assets - end of year				<u>\$84,789</u>	<u>\$50,984</u>

# FUND FINANCIAL STATEMENTS



LAKESHORE COORDINATING COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007 AND 2006

	General Fund	
	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$1,103,470	\$1,038,828
Due from other governmental units	242,895	79,378
Total assets	<u>\$1,346,364</u>	<u>\$1,118,206</u>
<b>Liabilities</b>		
Accounts payable	\$909,676	\$624,133
Deferred revenue	15,908	25,091
Due to other governmental units	305,484	391,670
Accrued wages and other payroll liabilities	16,520	6,160
Compensated absences	23,466	23,466
Other liabilities	-	6,427
Total liabilities	<u>1,271,054</u>	<u>1,076,947</u>
<b>Fund balance</b>		
Unreserved and undesignated	<u>75,310</u>	<u>41,259</u>
Total fund balance	<u>75,310</u>	<u>41,259</u>
Total liabilities and fund balance	<u>\$1,346,364</u>	<u>\$1,118,206</u>

LAKESHORE COORDINATING COUNCIL  
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Total fund balance - governmental funds	\$75,310
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Amounts reported for 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 in the funds.

Add: Capital assets	56,580
Deduct: Accumulated depreciation	<u>(47,101)</u>

Net assets of governmental activities	<u><u>\$84,789</u></u>
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LAKESHORE COORDINATING COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	General Fund	
	2007	2006
Revenues		
Federal grants		
Substance abuse - Block grant	\$3,964,149	\$4,514,962
Substance abuse - Medicaid managed care	993,212	1,258,554
Adult benefits waiver	107,931	104,146
MI Child	5,840	7,433
Shelter Plus Care Grant	28,233	-
Total federal grants	<u>5,099,365</u>	<u>5,885,095</u>
State grants - PA2	<u>1,494,882</u>	<u>1,280,186</u>
Other revenues		
Fees and charges	558	717
Interest	30,110	33,036
Total other revenues	<u>30,668</u>	<u>33,753</u>
Total revenues	<u>6,624,914</u>	<u>7,199,034</u>
Expenditures		
Payments to subrecipients - Block grant	3,411,066	4,133,798
Payments to subrecipients - Medicaid managed care	911,624	1,116,509
Salaries and wages	238,116	247,118
Fringe benefits	114,151	106,466
Travel	14,079	15,743
Supplies and materials	13,667	12,691
Other	124,923	128,505
Capital outlay	2,650	9,835
Adult benefits waiver	161,813	104,146
MI Child	5,840	7,433
C.A. methamphetamine grant	3,674	33,188
C.A. HIV / CD	9,171	-
Provider HIV / CD	53,350	-
SPF / SIG	31,557	-
Shelter Plus Care Grant	28,233	-
PA 2	1,447,380	1,280,186
Total expenditures	<u>6,571,293</u>	<u>7,195,618</u>
Excess of revenues over expenditures	53,621	3,416
Fund equity - beginning of year	41,259	39,994
Prior period adjustments	<u>(19,570)</u>	<u>(2,151)</u>
Fund equity - end of year	<u>\$75,310</u>	<u>\$41,259</u>

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Net change in fund balances - total governmental funds \$53,621

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Deduct:	Depreciation expense	(2,896)
Add:	Capital outlay	<u>2,650</u>

Change in net assets of governmental activities \$53,375

LAKESHORE COORDINATING COUNCIL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2007 AND 2006

	Internal Service Fund	
	2007	2006
Assets		
Cash and cash equivalents - restricted	\$64,016	\$62,769
Total assets	64,016	62,769
Liabilities		
Due to other governmental units	64,016	62,769
Net assets		
Restricted for risk management	-	-

The notes to the financial statements are an integral part of this statement.

LAKESHORE COORDINATING COUNCIL  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	<u>Internal Service Fund</u>	
	<u>2007</u>	<u>2006</u>
Non-operating revenues (expense)		
Interest income	\$1,247	\$2,393
Operating transfers		
Operating transfer (out)	<u>(1,247)</u>	<u>(62,769)</u>
Change in net assets	-	(60,376)
Net assets, beginning of year	<u>-</u>	<u>60,376</u>
Net assets, end of year	<u><u>-</u></u>	<u><u>-</u></u>

LAKESHORE COORDINATING COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007 AND 2006

	Internal Service Fund	
	2007	2006
Adjustment to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in:		
Due from other funds	-	\$22,951
Due to other governmental units	-	(351)
Net cash provided (used) from operating activities	-	22,600
Cash flows from investing activities		
Interest income	\$1,247	2,393
Net cash provided from investing activities	1,247	2,393
Cash flows from financing activities		
Operating transfers in (out)	-	(62,769)
Net change in cash and cash equivalents	1,247	(37,776)
Cash and cash equivalents, beginning of year	62,769	100,545
Cash and cash equivalents, end of year	\$64,016	\$62,769
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	-	-

The notes to the financial statements are an integral part of this statement.

# NOTES TO THE FINANCIAL STATEMENTS



## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lakeshore Coordinating Council (the Council) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Council.

### **Reporting Entity**

The Allegan, Muskegon, Ottawa Substance Abuse Agency (AMOSAA) was formed by an inter-local agreement under the Urban Cooperation Act of 1967, as amended, by the Counties of Allegan, Muskegon, and Ottawa. The agency was established for the purpose of inventory review, planning and coordination of programs and facilities which provide prevention, treatment and rehabilitation services for individuals dependent upon or abusing alcohol and drugs within the three-county area.

AMOSAA merged with Berrien, Cass, and Van Buren counties in April of 1996 at which time the Agency's name was changed to Lakeshore Coordinating Council (the "Council"). Van Buren County elected not to be a member of the Lakeshore Coordinating Council effective October 1, 2002.

The Council has its own board of directors appointed by the county commissioners of the participating counties.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Council's reporting entity, and which organizations are legally separate, component units of the Council. Based on the application of the criteria, the Council does not contain any component units.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Council. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Lakeshore Coordinating Council  
Notes To the Financial Statements

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Modifications to the accrual basis of accounting include:

- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, similar to the government-wide statements described above.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Council reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – This fund is the Council's primary operating fund. It accounts for all financial resources of the Council, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

## **Estimates**

The preparation of 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 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.

## **Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Council's financial position and operations. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## **Budgetary Data**

Budgets are adopted by the Council for the general fund. The budget is prepared on a basis consistent with generally accepted accounting principles and is adopted at the line item level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

## **Cash and Cash Equivalents**

The Council's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

## **Receivables and Payables between Funds**

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e. the current portion of interfund loans) or "advances to / from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

## **Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from members of the Council.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Inventories**

The Council does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are recorded as an expenditure when purchased.

### **Capital Assets**

Capital assets, which include equipment, furniture and fixtures, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Council are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Computer Equipment	5
Equipment	5 -7
Furniture and Fixtures	7

### **Restricted Assets**

Cash has been restricted for the risk reserve liability. These restricted assets are held in separate cash accounts with local financial institutions.

### **Deferred Revenue**

Deferred revenues arise when the Council receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

### **Net Assets and Fund Balances**

Restricted net assets shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

#### Fund Balances - Reserves and Designations

Fund balances in the governmental funds financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental funds financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

#### Net Assets - Restrictions

Net assets in the government-wide financial statements are reported as restricted when constraints placed on net asset use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

## Grants

Grants from the Department of Community Health (DCH) and other governmental units are recorded as revenues when the actual expenditures financed by the grant are incurred. Excess funding is treated as deferred until used or until retrieved by the source.

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Annual budgets are adopted at the line item level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Council does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

### Excess Of Expenditures Over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the current year the Council incurred expenditures in excess of the amounts budgeted as shown on the budget comparison schedule in the back of this report as unfavorable variances.

## NOTE 3. DETAIL NOTES

### Cash and Cash Equivalents

At September 30, the carrying amount of the Council's cash and cash equivalents was as follows:

<b>Cash and Cash Equivalents</b>	<b>2007</b>	<b>2006</b>
Petty Cash	\$200	\$200
Checking, Savings, and Money Market Accounts	1,103,270	1,038,628
Checking, Savings, and Money Market - Restricted	64,016	62,769
<b>Totals</b>	<b>\$1,167,486</b>	<b>\$1,101,597</b>

### Restricted Cash and Cash Equivalents

Cash and investments in the Internal Service Fund have been restricted to cover the risk of overspending their authorized projected revenues.

### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Council's deposits might not be recovered. The Council does not have a policy for custodial risk over deposits.

As of the end of the current fiscal year, \$1,071,882 of the Council's \$1,271,882 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits which exceed FDIC insurance coverage limits are held at local banks. The Council believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

As a result, the Council evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

### Investments

State statutes authorize the Council to invest surplus funds in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of the end of the current year, the Council had no such investments.

The Council's investment policy complies with the State statutes does not place any further limitations on its investment choices.

### Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Council's investment policy complies with the State guidelines and seeks to minimize interest rate risk by investing primarily in short-term securities, liquid assets, money market funds, or similar investment pools and limiting average maturities.

The Council's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Council will not be able to recover the value of its investments that are in the possession of an outside party. The Council requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts.

The Council does not have any additional policies for custodial credit risk over investments.

Credit Risk - Investments

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks.

The Council's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Council places no limit on the amount it may invest in any one issuer.

**Due From Other Governmental Units**

Due from other governmental units as of September 30<sup>th</sup> consists of the following:

<b>Due From:</b>	<b>2007</b>	<b>2006</b>
Allegan and Ottawa Counties – P.A. 2	\$116,258	\$78,582
Muskegon & Ottawa Counties - Medicaid	115,203	-
Other Governmental Units	11,434	796
<b>Total</b>	<b>\$242,895</b>	<b>\$79,378</b>

Lakeshore Coordinating Council  
Notes To the Financial Statements

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**Prepaid Expenses**

Prepaid expenses represent payments for expenditures that will benefit future periods such as insurance, postage, dues, and maintenance agreements.

**Capital Assets**

A summary of changes in capital assets is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital Assets</i>				
Equipment	\$13,022	-	-	\$13,022
Furniture and Fixtures	12,062	-	-	12,062
Computer Equipment	28,846	\$2,650	-	31,496
Sub-total	53,930	2,650	-	56,580
<i>Accumulated Depreciation</i>				
Equipment	(11,032)	(478)	-	(11,510)
Furniture and Fixtures	(11,533)	(159)	-	(11,692)
Computer Equipment	(21,640)	(2,259)	-	(23,899)
Sub-total	(44,205)	(2,896)	-	(47,101)
<b>Totals</b>	<b>\$9,725</b>	<b>(\$246)</b>	<b>-</b>	<b>\$9,479</b>

Depreciation expense in the amount of \$2,896 was charged to Health and Welfare – Substance Abuse Programs.

**Deferred Revenue**

Deferred revenue represents amounts received in advance of the period in which they were earned as follows:

<b>Deferred Revenue</b>	<b>2007</b>	<b>2006</b>
MI Child	\$15,908	\$8,885
PA 2	-	16,206
<b>Totals</b>	<b>\$15,908</b>	<b>\$25,091</b>

### **Due to Other Governmental Units**

Due to other governmental units as of September 30<sup>th</sup> consist of the following:

<b>Due To:</b>	<b>2007</b>	<b>2006</b>
Various Providers – PA2 Funds	\$100,435	\$93,513
Various Counties - Medicaid Savings	160,229	230,447
State of Michigan – Prior Year Refunds	42,422	41,562
State of Michigan – Block Grant	2,325	26,148
LBHA – ISF Fund	64,016	62,769
Other	73	-
<b>Totals</b>	<b>\$369,500</b>	<b>\$454,439</b>

### **Accrued Wages and Other Payroll Liabilities**

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes and related liabilities.

### **Compensated Absences**

The Council's policy allows employees to accumulate up to 120 hours of vacation time after 12 months of employment. Employees can accumulate up to 160 hours after 10 years of full-time employment. Any excess accumulation shall be forfeited. Amounts accumulated are to be paid to an employee and recognized as an expense either when vacations are actually taken or upon termination of employment.

The compensated absences liability also includes related FICA.

### **Operating Leases**

The Council has entered into various capital and operating leases for the use of real and personal property. These leases either do not give rise to property rights or lease obligations.

Lakeshore Coordinating Council  
Notes To the Financial Statements

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The following is a summary of the significant lease agreements:

**Building**

Lakeshore Coordinating Council leases its building from the United States Post Office. The term of the lease is three years beginning February 1, 2007 and calls for monthly rental payments of \$1,640.

The following is a schedule of the future minimum lease payments required under the above operating lease as of September 30, 2007:

<b>Year Ending September 30<sup>th</sup></b>	<b>Amount</b>
2008	\$19,680
2009	6,560

**Restrictions and Reserves**

A portion of the net assets has been restricted equal to the net amount available in the Internal Service Fund (risk management) which has been set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

In the fund level financial statements a portion of the fund balance at September 30<sup>th</sup> has been reserved equal to the amount of prepaid expenses, since prepaid expenses do not constitute "available spendable resources."

**NOTE 4. OTHER INFORMATION**

**Compliance Audits**

All governmental grants are subject to a transactional and compliance audit by the grantors or their representatives. Therefore, an indeterminable contingency exists for expenditures, which may be disallowed by the granting agencies.

**Pension Plan**

Plan Description

The Council contributes to the Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. The system provides for the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty death allowance, duty death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit, to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the year ending December 31, 2006.

The information presented in this section is intended only as general information regarding the retirement plan and is not a substitute for the MERS Plan Document as revised.

MERS 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

During the fiscal year ended September 30, 2007, the Council's contributions to the plan were \$47,298 (including an extra contribution of \$20,000). Contributions were made in accordance with contribution requirements determined by an actuarial valuation. The Council's payroll for employees covered by the plan for the year ended December 31, 2006 was \$233,578.

Three year trend information is as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Valuation Assets	Unfunded (Overfunded) AAL	Unfunded AAL as Percent of Annual Payroll
12-31-04	\$598,395	\$615,714	(\$17,319)	0%
12-31-05	675,805	675,805	-	0%
12-31-06	724,270	737,902	(13,632)	0%

Lakeshore Coordinating Council  
Notes To the Financial Statements

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The employer contribution rate has been determined based on the entry age normal funding method. Under this method, the total actuarially-determined contribution requirement is the sum of the normal cost and the payment required to amortize the unfunded accrued liability over the amortization period of 30 years, less the accelerated funding credit, if available. The normal cost is the cost of benefit rights accruing on the basis of current service. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. Additional information regarding the pension plan of Lakeshore Coordinating Council can be found in the annual report issued by Gabriel, Roeder, Smith & Company. A copy of that report can be requested by writing to the above actuaries at: One Towne Square, Suite 800, Southfield, Michigan, 48076.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure. The following table presents information required by GASB Statements Number 25 and 27:

GASB 25 INFORMATION (as of 12/31/06)	
Actuarial Accrued Liability:	
Retirees and Beneficiaries Currently Receiving Benefits	\$371,843
Terminated Employees Not Yet Receiving Benefits	18,226
Non-vested terminated employees	-
Current Employees – Accumulated Employee Contributions Including Allocated Investment Income Employer Financed	- 334,201
Total Actuarial Accrued Liability	\$724,270
Net Assets Available For Benefits At Actuarial Value (market value \$748,224)	737,902
Unfunded (Overfunded) Actuarial Accrued Liability	(\$13,632)
GASB 27 INFORMATION (as of 12/31/06)	
Fiscal Year Beginning	Oct. 1, 2008
Annual Required Contributions (ARC)	\$19,464
Amortization Factor Used – Underfunded Liabilities (29 years)	0.054719
Amortization Factor Used – Overfunded Liabilities (10 years)	0.119963

Additional information can be obtained by writing to: Lakeshore Coordinating Council, 324 Washington Street, Grand Haven, Michigan, 49417.

## **Risk Management**

The Council is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Council has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance, if any, have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Also, the Council authorized the establishment of an Internal Service Fund to account for funds to be used to cover the risk of overspending their authorized projected revenues.

The contract entered into by the Council provides for the use of Medicaid funding for the establishment of an Internal Service Fund that is restricted for use only to meet expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Council finds it necessary to expend more to provide services necessary to carry out the contract requirements than revenue provided to the Council by the contract.

# **REQUIRED SUPPLEMENTAL INFORMATION**

BUDGETARY COMPARISON SCHEDULE



LAKESHORE COORDINATING COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variances Between Actual And Final Budget
	Original	Final		
Revenues				
Federal grants				
Substance abuse - Block grant	\$3,938,845	\$3,970,402	\$3,964,149	(\$6,253)
Substance abuse - Medicaid managed care	873,817	1,052,395	993,212	(59,183)
Adult benefits waiver	108,085	107,593	107,931	338
MI Child	9,500	9,000	5,840	(3,160)
Shelter Plus Care Grant	53,880	53,916	28,233	(25,683)
Total federal grants	<u>4,984,127</u>	<u>5,193,306</u>	<u>5,099,365</u>	<u>(68,258)</u>
State grants - PA2	<u>1,425,933</u>	<u>1,494,882</u>	<u>1,494,882</u>	<u>-</u>
Other revenues				
Fees and charges	-	-	558	558
Interest	10,000	26,900	30,110	3,210
Total other revenues	<u>10,000</u>	<u>26,900</u>	<u>30,668</u>	<u>3,768</u>
Total revenues	<u>6,420,060</u>	<u>6,715,088</u>	<u>6,624,914</u>	<u>(64,490)</u>
Expenditures				
Payments to subrecipients - Block grant	3,438,426	3,418,883	3,411,066	7,817
Payments to subrecipients - Medicaid managed care	786,123	961,701	911,624	50,077
Salaries and wages	254,319	238,201	238,116	85
Fringe benefits	102,391	111,980	114,151	(2,171)
Travel	12,584	14,390	14,079	311
Supplies and materials	12,400	12,766	13,667	(901)
Other	123,212	126,252	124,923	1,329
Capital outlay	-	-	2,650	(2,650)
Adult benefits waiver	108,085	161,813	161,813	-
MI Child	9,500	6,040	5,840	200
C.A. methamphetamine grant	3,674	3,674	3,674	-
C.A. HIV / CD	21,000	10,500	9,171	-
Provider HIV / CD	68,533	68,533	53,350	-
SPF / SIG	-	31,557	31,557	-
Shelter Plus Care Grant	53,880	53,916	28,233	-
PA 2	1,425,933	1,494,882	1,447,380	47,502
Total expenditures	<u>6,420,060</u>	<u>6,715,088</u>	<u>6,571,293</u>	<u>101,600</u>
Excess of revenues over expenditures	-	-	53,621	37,110
Fund equity - beginning of year	-	-	41,259	-
Prior period adjustments	-	-	(19,570)	(19,570)
Fund equity - end of year	<u>-</u>	<u>-</u>	<u>\$75,310</u>	<u>\$17,540</u>

# **REQUIRED SUPPLEMENTAL INFORMATION**

SCHEDULE OF BUDGETED, REPORTED, AND AUDITED AMOUNTS  
&  
SCHEDULE OF EXPENDITURES AND FUNDING SOURCES BY PROGRAM



**Lakeshore Coordinating Council**  
**SUBSTANCE ABUSE PREVENTION & TREATMENT**  
**Schedule of Budgeted, Reported, and Audited Amounts**  
**For the Year Ended September 30, 2007**

Fund Source	Budgeted (FINAL)	Reported (FINAL RER)	Audited Expenditures	Variance (Audited-Reported)	Local Match Funds
<b>A State Agreement</b>					
1 Community Grant	\$3,877,572	\$3,875,247	\$3,875,247	0	
2 SDA	24,218	24,218	24,218	0	
3 SPF/SIG	31,557	31,557	31,557	0	
4 Methamphetamine	37,055	37,055	37,055	0	
<b>A Subtotal</b>	<u>3,970,402</u>	<u>3,968,077</u>	<u>3,968,077</u>	<u>0</u>	
<b>B Medicaid</b>					
1 Current Year PEPM (Federal & State)	917,313	917,313	917,313	0	
2 Reinvestment Savings	75,898	75,898	75,898	0	
<b>B Subtotal</b>	<u>993,211</u>	<u>993,211</u>	<u>993,211</u>	<u>0</u>	
<b>C Adult Benefits Waiver (ABW)</b>					
1 Current Year PEPM (federal share only)	107,931	107,931	107,931	0	
<b>C Subtotal</b>	<u>107,931</u>	<u>107,931</u>	<u>107,931</u>	<u>0</u>	
<b>D MI CHILD</b>					
1 Current Year PEPM	8,936	3,273	3,273	0	
<b>D Subtotal</b>	<u>8,936</u>	<u>3,273</u>	<u>3,273</u>	<u>0</u>	
<b>E Local</b>					
1 Current Year PA2	1,478,675	1,431,841	1,431,957	116	(1) 1,431,957
2 PA2 Fund Balance	16,207	15,423	15,423	0	15,423
3 Other Local (R325.4152 excluding subsection (1)(b))	\$30,110	\$7,786	\$7,786	0	7,786
<b>E Subtotal</b>	<u>1,524,992</u>	<u>1,455,050</u>	<u>1,455,166</u>	<u>116</u>	
<b>F Fees &amp; Collections- Subtotal (R325.4151 (1)(d))</b>	<u>\$85,563</u>	<u>\$85,563</u>	<u>\$85,563</u>	<u>0</u>	85,563
<b>G Other Contracts &amp; Sources (Subtotal)</b>	<u>208,297</u>	<u>208,297</u>	<u>208,297</u>	<u>0</u>	
<b>Grand Total of Subtotals A-G</b>	<u><u>6,899,332</u></u>	<u><u>6,821,402</u></u>	<u><u>6,821,518</u></u>	<u><u>116</u></u>	
<b>Amount Billable to MDCH (Section A audited subtotal)</b>			<b>\$3,968,077</b>		
<b>Total MDCH Payments</b>			<u><b>\$3,970,402</b></u>		
<b>(Overpayment)/Underpayment</b>			<u><u><b>(\$2,325)</b></u></u>	<b>(2)</b>	
<b>Local Match Funds Total</b>					<b>\$1,540,729</b>
<b>Local Match Requirement [(Grand Total of Audited Expenditures-B-C-D-G) * 10%]</b>					<u><b>550,881</b></u>
<b>Local Match (Shortfall)/Excess</b>					<u><u><b>\$989,848</b></u></u>

**Variance Footnotes**

- (1) Final PA2 expenditures were \$116 more than reported on Final RER.  
(2) \$1,360 of this overpayment is from excess State matching funds for the MIChild program and is allowed to be retained by the CA for future use. The remaining \$965 was lapsed in Community Grant funds and is due to MDCH.

**Lakeshore Coordinating Council**  
**SUBSTANCE ABUSE PREVENTION & TREATMENT**  
**Schedule of Expenditures and Funding Sources by Program**  
**Year Ended September 30, 2007**

Program	Budgeted (FINAL)	Reported (FINAL RER)	Audited Expenditures				Audited Funding Sources							Variance (Audited-Reported)	Questioned Cost (Expenditures - Funding)	
			Gross Amount	Less Medicaid	Less Fees	Net Amount	State Agreement	SDA	PA2	Other Local	Other Sources	ABW	MI CHILD			Total Funding
Administration	\$526,645	\$507,585	\$507,585	\$81,587	\$0	\$425,998	\$418,212	\$0	\$0	\$26,846	\$0	\$0	\$0	\$445,058	\$0	(\$19,060)
Prevention	1,606,555	1,606,129	1,606,129	0	14,230	1,591,899	878,135	0	512,128	0	201,636	0	0	1,591,899	0	0
Treatment	4,091,145	4,050,482	4,050,598	876,312	71,333	3,102,953	2,149,473	24,218	976,754	3,264	10	0	0	3,153,719	116	(50,766)
Women's Services	339,540	328,359	328,359	35,312	0	293,047	280,819	0	6,000	0	6,228	0	0	293,047	0	0
Communicable Dis.	62,521	62,521	62,521	0	0	62,521	62,521	0	0	0	0	0	0	62,521	0	0
SPF/SIG	31,557	31,557	31,557	0	0	31,557	31,557	0	0	0	0	0	0	31,557	0	0
Methamphetamine	37,055	37,478	37,478	0	0	37,478	37,055	0	0	0	423	0	0	37,478	0	0
MiChild	12,863	5,840	5,840	0	0	5,840	3,927	0	0	0	0	0	8,936	12,863	0	(7,023)
ABW	191,451	191,451	191,451	0	0	191,451	83,520	0	0	0	0	107,931	0	191,451	0	0
<b>Totals</b>	<b>\$6,899,332</b>	<b>\$6,821,402</b>	<b>\$6,821,518</b>	<b>\$993,211</b>	<b>\$85,563</b>	<b>\$5,742,744</b>	<b>\$3,945,219</b>	<b>\$24,218</b>	<b>\$1,494,882</b>	<b>\$30,110</b>	<b>\$208,297</b>	<b>\$107,931</b>	<b>\$8,936</b>	<b>\$5,819,593</b>	<b>\$116</b>	<b>(\$76,849)</b>
							<b>\$3,969,437</b>									

**Reconciliation of PA2 Funds:**

Beginning Balance	\$21,004
Current Year PA2	1,494,882
Interest Earned	3,264
Expenditures	<u>(1,447,380)</u>
Ending Balance	<u>71,770</u>

**Reconciliation of Medicaid Managed Care (PEPM) Funds:**

PEPM Payments Received	\$956,538
Medicaid Savings Carried Over	196,891
Expenditures	(993,211)
Medicaid Savings Carryforward	<u>(36,943)</u>
Returned to PIHP	<u>123,275</u>

**Questioned Cost Explanations:**

Additional funding of \$19,060 resulted from CA Banking Interest in excess of CA expenditures.  
 Additional funding of \$50,766 resulted from 2007 PA2 Revenue and Interest received, but not spent prior to the fiscal year's ending date.  
 Additional funding of \$7,023 resulted from MiChild revenues in excess of MiChild expenditures.

**Footnotes:**

The 2007 County PA2 Revenue requirement for substance abuse services was \$1,484,446.50. An additional \$10,435.50 was received by the CA from prior years unspent funding.



**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  
Lakeshore Coordinating Council  
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lakeshore Coordinating Council (the Council) as of and for the year ended September 30, 2007, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 28, 2008. 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 Council'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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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 Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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 Council's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in 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 the Council'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*.

We noted certain matters that we reported to management of the Council in a separate letter dated February 28, 2008.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.  
Certified Public Accountants

February 28, 2008

## **Lakeshore Coordinating Council Schedule of Findings and Responses**

### Finding 2007-1

#### Finding considered a significant deficiency

Effective for the year ended September 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended September 30, 2007, required relatively few audit adjustments, most of which the staff were aware needed to be recorded. The staff of the Council does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

#### Client Response

We are aware of the finding noted, as required in the Statement on Auditing Standards #112, and believe it is in the company's best interest and is most beneficial to continue using our external auditors for technical assistance in these areas. We carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**LAKESHORE COORDINATING COUNCIL  
Grand Haven, Michigan**

**Federal Awards  
(Supplementary Information  
To Financial Statements)  
*September 30, 2007***



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Lakeshore Coordinating Council  
Federal Awards  
(Supplementary Information to Financial Statements)  
September 30, 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  
Lakeshore Coordinating Council  
Grand Haven, Michigan

**Compliance**

We have audited the compliance of Lakeshore Coordinating Council (the Council) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2007. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council'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 Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

## **Internal Control over Compliance**

The management of the Council 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 Council'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 the Council'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 the 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.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Lakeshore Coordinating Council, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 28, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Lakeshore Coordinating Council's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Council Board, 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.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." The signature is written in a cursive style with a small registered trademark symbol (®) before the word "Company".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

March 3, 2008

Lakeshore Coordinating Council  
Schedule Of Expenditures Of Federal Awards  
For The Year Ended September 30, 2007

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	(Accrued) Deferred Revenue At 10/1/2006	Current Year Receipts	Current Year Expenditures	(Accrued) Deferred Revenue At 9/30/2007	Adjust- ments	GPFS Federal Revenue Recognized	GPFS Page
<b>Department of Health and Human Services</b>										
Passed Through The Michigan Department of Community Health Bureau Of Substance Abuse Services										
Block Grant for Prevention & Treatment of Substance Abuse	93.959		\$3,871,299	-	\$3,871,299	\$3,871,299 (a)	-	-	\$3,871,299	
Methamphetamine Prevention	93.243		37,055	-	\$37,055	37,055	-	-	37,055	
Strategic Prevention Framework/State Incentive Grant	93.243		31,577	-	31,577	31,577	-	-	31,577	
Total for 93.243				-	68,632	68,632	-	-	68,632	
State Disability Assistance	NA		24,218	-	24,218	24,218	-	-	24,218	
Shelter Plus Care Grant	14.238		28,233		28,233	28,233	-	-	28,233	
MI Child	93.767		5,840	8,885	12,863	5,840 (a)	\$15,908	-	5,840	
Adult Benefit Waiver	93.767		107,931	-	107,931	107,931	-	-	107,931	
Total for 93.767				8,885	120,794	113,771	15,908	-	113,771	
Medical Assistance Program	93.778		993,212	230,447	647,562	993,212	(115,203)	-	993,212	
<b>TOTALS</b>				<u>\$239,332</u>	<u>\$4,760,738</u>	<u>\$5,099,365</u>	<u>(\$99,295)</u>	-	<u>\$5,099,365</u>	5

The above amounts reflect both federal and state funding. See allocation below.

	CDFA	Federal	State	Reconciliation To Audit Report
Medicaid	93.778	56.38%	43.62%	
MI Child	93.767	69.47%	30.53%	
Adult Benefits Waiver	93.767	69.47%	30.53%	
Community Grant	93.959	80.00%	20.00%	\$3,871,299
Methamphetamine	93.243	100.00%	0.00%	37,055
Prevention	93.959	80.00%	20.00%	31,577
Strategic Prevention Framework/State Incentive Grant	93.243	100.00%	0.00%	24,218
State Disability Assistance	NA	0.00%	100.00%	
Shelter Plus Care Grant	14.238	100.00%	0.00%	<u>\$3,964,149</u>

Note a - \$3,928 of community grant used for MI child program.

The notes to the financial statements are an integral part of this statement.

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lakeshore Coordinating Council 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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following programs represent 76% of federal program expenditures and were audited as major programs:

- Block Grant for Prevention and Treatment of Substance Abuse - CFDA #93.959.

The threshold for distinguishing Type A and B programs was \$300,000.

**NOTE 3 – RECONCILIATION OF FEDERAL REVENUE**

The current year expenditures on the schedule of expenditures of federal awards agree to the federal revenue reported in the financial statements.

Lakeshore Coordinating Council  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2007

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**SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditor's opinion issued: Unqualified.

Internal control over financial reporting:

▪ Material weakness(es) identified? No.

▪ Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes.

Noncompliance material to financial statements noted? No.

FEDERAL AWARDS

Internal control over major program:

▪ Material weakness(es) identified? No.

▪ Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported.

Type of auditor's report issued on compliance for major programs: Unqualified.

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

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

Auditee qualified as low-risk auditee? Yes.

Identification of major programs:

- Block Grant for Prevention and Treatment of Substance Abuse - CFDA #93.959.

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

Lakeshore Coordinating Council  
Status of Prior Year Findings  
Year Ended September 30, 2007

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There were no findings for the year ended September 30, 2006.



## MANAGEMENT LETTER

Board of Directors  
Lakeshore Coordinating Council

In planning and performing our audit of the financial statements for Lakeshore Coordinating Council for the fiscal year ended September 30, 2007, we considered the 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 efforts to strengthen internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated February 28, 2008, on the financial statements of Lakeshore Coordinating Council.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

*Roslund, Prestage & Company, P.C.*

ROSLUND, PRESTAGE AND COMPANY, P.C.  
Certified Public Accountants

February 28, 2008

Roslund, Prestage & Company, P.C.  
308 Gratiot Avenue • Alma • Michigan • 48801  
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### **STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

We were pleased to see that management has implemented our recommendations we included in our previously issued management letter. We commend you on your efforts to strengthen internal controls and operating efficiencies.

### **CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

#### **Accounts Payable**

During our audit we found that the accounts payable subsidiary list at year end did not agree with the general ledger.

We recommend that management review the accounts payable subsidiary list each month to determine that this list reconciles with the related general ledger account. All adjustments necessary to reconcile these amounts should be posted before proceeding to the next month.

#### **Insurance Co-Pays**

Each pay period an amount is withheld from the employees to cover each employee's respective share of their health insurance. These amounts withheld are recorded as a liability. When the insurance premiums are paid the entire amount (both the Council's share and the employee's share) is recorded as an expense. Consequently, the liability account continues to grow and the health insurance expense is overstated.

Therefore, we recommend that all amounts withheld from the employees for health insurance be posted as a reduction to the health insurance expense each month.

Lakeshore Coordinating Council  
Management Letter

**GASB Statement No. 45**

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was approved by the GASB in June of 2005. Other postemployment benefits are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they stop working. They include all postemployment healthcare benefits and any other type of benefits that are provided separately from a pension plan.

The basic premise of GASB 45 is that other postemployment benefits are earned and should be recognized when the employee provides services, just like wages and compensated absences.

We recommend the Council consider the effects of GASB 45 on any current or future postemployment benefits packages. The effective date for the Council to implement this new standard is for the fiscal year ending September 2010. However, earlier application is encouraged by the GASB.