

**AREA COMMUNITY SERVICES
EMPLOYMENT AND TRAINING COUNCIL
GRAND RAPIDS, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Council Governing Board of the
Area Community Services Employment & Training Council
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Area Community Services Employment & Training Council (the "Council"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Area Community Services Employment & Training Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Area Community Services Employment & Training Council, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Area Community Services Employment & Training Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2023 the Council adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Area Community Services Employment & Training Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Area Community Services Employment & Training Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Area Community Services Employment & Training Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Area Community Services Employment & Training Council's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024, on our consideration of Area Community Services Employment & Training Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Area Community Services Employment & Training Council's internal control over financial reporting and compliance.

Maney Costeiran PC

February 13, 2024

AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the “Council”) MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Area Community Services Employment and Training council (the “Council”), we offer readers of this narrative an overview and analysis of the financial activities of the Council for the fiscal year ending June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

West Michigan Works! Highlights

West Michigan Works! workforce development programs and services are managed by our Business Solutions, Development and Innovation, and Talent Solutions departments. Our solutions driven approach to workforce development has enabled us to navigate the changes in our economy over the past year, guiding our work to provide career education, support services, coaching, and training to meet the needs of businesses across our seven-county region. We manage this change by remaining hopeful and focusing on our impact.

Business Solutions

This past year Business Solutions served 3,640 unique employers and provided services to assist in filling nearly 10,000 open jobs. We worked with economic development and community college partners across the region to offer workforce support and training dollars for 32 proposed business expansion or attraction projects which have the potential to bring 2,500 new jobs to West Michigan. Nearly 600 organizations participated in 33 sector strategy initiatives developed by the agribusiness, construction, information technology, healthcare, and manufacturing talent councils. Volunteers logged over 11,000 hours participating in the talent councils' initiatives and \$650K thousand dollars were leveraged to help support the initiatives. The apprenticeship experts in Business Solutions continue to work with employers to expand registered apprenticeships. West Michigan Works! is the sponsor of 33 U.S. Department of Labor Registered Apprenticeship occupations across multiple industries.

Through a variety of state and federal programs, Business Solutions helped employers access training grants to support the continued development of a strong, skilled, and educated workforce. In FY23, the state funded Going PRO Talent Fund (GPTF) grants were awarded to 271 West Michigan employers totaling \$21.7 million dollars. The GPTF provided funds to train 11,156 individuals including 1,431 registered apprentices, 4,337 incumbent workers, and 5,388 new hires via on-the-job training. Additionally, Business Solutions assisted employers in utilizing \$2.6 million dollars across multiple funding streams to help upskill workers. This included \$350,000 thousand dollars to support the expansion or new development of registered apprenticeship programs.

Development and Innovation

In 2023, the Development and Innovations department was the driving force behind several initiatives. At the forefront was the Ascend program, providing out-of-school youth programming to the region. Ascend served 290 youth with career exploration and training, with 93 of them attending Summer Work Experience and 47 attending a career conference to cap that experience. Ascend also partnered with Muskegon Community Education Center allowing 22 students to participate in MiCareerLaunch.

The Talent Development program provided valuable job readiness and employability workshops to jobseekers across the region. Talent Development’s employability curriculum, WorkReady, is poised for growth with unique attendance up by 5%. In 2023, the WorkReady program hosted 772 workshop attendees and awarded 358 WorkReady Certificates to job jobseekers this year. This year also marked the launch of Elevate, an expansion of the Rise Up program. Elevate will work with four employers and two community-based organizations to provide an intentional strategy for outside-in hiring and inside-up promotion.

AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the “Council”) MANAGEMENT’S DISCUSSION AND ANALYSIS

MiCareerQuest remains the largest career exploration event in Michigan through strong partnerships with employers and intermediate school districts across our region. MiCareerQuest hosted 7,981 students from 77 schools with 90% of students stating they learned about employment and training opportunities that they did not previously know about before the event. Retention Solutions Network (RSN) continues to provide a profound solution to employers’ retention strategies across our region. Through utilizing best practices in resource navigation and barrier removal, RSN delivered an 842% return on investment to employers this year. Additionally, HireReach continues to grow under the Strategic Workforce Solutions structure with another hosted academy outside our seven-county region.

Talent Solutions

Talent Solutions successfully assisted more than 61,000 job seekers in 2023. Over 6,600 barriers to work were eliminated. We provided training through classroom scholarships, on-the-job training, and apprenticeships resulting in 2,000 individuals being trained and an estimated 900 credentials earned. When combined with West Michigan's GPTF awards, our total investment in training amounts to \$14 million. Of the 61,000 job seekers served this year, just under 42,000 have secured employment while we support others in their continued training programs and search for opportunities. Collectively, these efforts have resulted in \$1.34 billion earned wages. This impressive number underscores the impact of West Michigan Works! makes on economic growth through collaboration in our seven-county region across West Michigan.

Service Summary Impact

For the program year 2023, West Michigan Works! served roughly 3,600 employers and 61,000 job seekers with approximately 42,000 securing employment totaling \$1.34 billion in wages earned.

Financial Highlights

The Council’s total revenue reflects an increase of \$2.7 million in the fiscal year ending June 30, 2023 compared to the fiscal year ending June 30, 2022. This increase in revenue is a result of an increase in operating grants and contributions in the current year. The decrease in Michigan Works! funding award/utilization is primarily the result of significant funding award increases in the Going Pro Talent Fund program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council’s financial statements. The Council’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Council’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Council’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position 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 future fiscal periods, (e.g., earned but unused compensated absences, accrued interest, etc.).

AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the “Council”) MANAGEMENT’S DISCUSSION AND ANALYSIS

The government-wide financial statements include only the Council itself (known as the primary government). The Council has no legally separate component units for which it is financially accountable.

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 Council, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds 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 governmental funds and governmental activities.

The Council maintains one governmental fund (the General Fund). Information is presented in the general fund balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances for the Council. The general fund is a major fund for financial reporting purposes as defined by generally accepted accounting principles.

The Council adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds, a type of proprietary fund, are accounting devices used to accumulate and allocate costs internally among the Council’s various functions. The Council utilizes an internal service fund to account for its compensated absences. Because these services primarily benefit the Council’s governmental functions, they have been included within the governmental activities in the government-wide financial statements. The internal service fund statement provides the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This consists of this management discussion and analysis and budgetary comparison schedule.

**AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the "Council")
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$1,132,866 at the close of the most recent fiscal year. A summary of net position is as follows:

Summary of Net Position			
	Governmental Activities		Increase
	2023	2022*	(Decrease)
ASSETS			
Current and other assets	\$ 7,443,814	\$ 6,626,732	\$ 817,082
Capital assets	4,180,133	3,061,917	1,118,216
TOTAL ASSETS	11,623,947	9,688,649	1,935,298
LIABILITIES			
Current liabilities	7,105,215	8,707,039	(1,601,824)
NET POSITION			
Invested in capital assets	519,467	266,893	252,574
Unrestricted	613,399	714,717	(101,318)
TOTAL NET POSITION	\$ 1,132,866	\$ 981,610	\$ 151,256

*The 2022 figures have not been updated for the adoption of GASB 96.

A portion of the Council's net position reflects unrestricted net position which is available for future operations while a smaller portion of net position is invested in capital assets (e.g., vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The Council uses these capital assets to provide services; consequently, these assets are not available for future spending.

Governmental Activities

During the year, the Council invested \$34,918,941 (97.19%) of governmental activities expenses in Michigan Works! Programs. Unallocated depreciation/amortization represents 3.80% of governmental activities expenses.

Net position of the Council, which consists only of governmental activities, increase by \$17,922 as a result of operations. A summary of the changes in net position is as follows:

**AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the "Council")
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Activities			
	Governmental Activities		Increase
	2023	2022*	(Decrease)
REVENUE			
Program revenue			
Operating grants and contributions	\$ 35,927,472	\$ 33,467,058	\$ 2,460,414
Charges for services	347,265	157,588	189,677
General revenue			
Unrestricted investment earnings	23,738	161	23,577
Gain on disposal of leases	16,987	-	16,987
TOTAL REVENUE	36,315,462	33,624,807	2,690,655
EXPENSES			
Michigan Works! programs	34,918,941	32,618,024	2,300,917
Administrative services	-	39,351	(39,351)
Unallocated depreciation/amortization	1,378,599	1,183,186	195,413
TOTAL EXPENSES	36,297,540	33,840,561	2,456,979
Increase (decrease) in net position	17,922	(215,754)	233,676
Net position, beginning of year	1,114,944	1,197,364	(82,420)
Net position, end of year	\$ 1,132,866	\$ 981,610	\$ 151,256

*The 2022 figures have not been updated for the adoption of GASB96.

Financial Analysis of the Government's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Budgetary Highlights

Over the course of the fiscal year, the Council made necessary budget adjustments to reflect current year activities. The total expenditure budget had a favorable variance of \$94,418 primarily due to favorable budget variances of \$244,567 in space and communication and \$320,602 in Subcontracted program costs.

Governmental Funds. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Council's general fund reported ending fund balance of \$570,519, a decrease of \$94,418 over the prior year.

**AREA COMMUNITY SERVICE EMPLOYMENT & TRAINING COUNCIL (the “Council”)
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital Assets. The Council’s investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$4,180,133(net of accumulated depreciation/amortization).

The Council’s capital assets (net of depreciation/amortization) are summarized as follows:

Capital Assets	Governmental Activities
Office equipment	\$ 83,920
Furniture and fixtures	23,076
Software	35,036
Vehicles	122,634
ROU - Buildings	3,793,266
ROU - Vehicle	17,861
ROU - Software	104,340
Total	\$ 4,180,133

Additional information on the Council capital assets can be found in footnote 3 to the financial statements.

Debt. At the end of the current fiscal year, the Council had no debt outstanding.

The Council does have a \$325,000 line of credit available to cover temporary operating shortfalls if needed. The line of credit was not used during the year ended June 30, 2023.

Requests for Information

This financial report is designed to provide a general overview of the Council’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer at the Council, 215 Straight Ave. NW Grand Rapids, MI 49504.

BASIC FINANCIAL STATEMENTS

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 2,007,115
Accounts receivable	5,037,208
Deposits	42,880
Prepays	<u>356,611</u>
Total current assets	7,443,814
Noncurrent assets	
Capital assets, net of accumulated depreciation/amortized	<u>4,180,133</u>
TOTAL ASSETS	<u>11,623,947</u>
LIABILITIES	
Current liabilities	
Accounts payables	1,933,618
Accrued payroll	235,260
Other accrued liabilities	2,958,495
Unearned revenue	645,689
Accrued compensated absences	1,057,353
Current portion of leases payable	<u>274,800</u>
Total current liabilities	<u>7,105,215</u>
Noncurrent liabilities	
Noncurrent portion of leases payable	<u>3,385,866</u>
TOTAL LIABILITIES	<u>10,491,081</u>
NET POSITION	
Net investment in capital assets	519,467
Unrestricted	<u>613,399</u>
TOTAL NET POSITION	<u>\$ 1,132,866</u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenues and
		Services	Grants and	Changes in
			Contributions	Net Position
Governmental Activities				
Michigan Works! Programs	\$ 34,918,941	\$ 347,265	\$ 35,927,472	\$ 1,355,796
Unallocated depreciation/amortization	1,378,599	-	-	(1,378,599)
TOTAL	<u>\$ 36,297,540</u>	<u>\$ 347,265</u>	<u>\$ 35,927,472</u>	(22,803)
General Revenues				
Unrestricted interest earnings				23,738
Gain on disposal of leases				<u>16,987</u>
CHANGE IN NET POSITION				17,922
Net position, beginning of year, as restated				<u>1,114,944</u>
Net position, end of year				<u>\$ 1,132,866</u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
BALANCE SHEET
GENERAL FUND
JUNE 30, 2023**

ASSETS	
Cash	\$ 949,762
Accounts receivable	5,037,208
Prepays	<u>356,611</u>
TOTAL ASSETS	<u><u>\$ 6,343,581</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payables	1,933,618
Accrued payroll	235,260
Other accrued liabilities	2,958,495
Unearned revenue	<u>645,689</u>
TOTAL LIABILITIES	<u>5,773,062</u>
 FUND BALANCE	
Nonspendable	
Prepays	356,611
Unassigned	<u>213,908</u>
TOTAL FUND BALANCE	<u>570,519</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 6,343,581</u></u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance - governmental fund \$ 570,519

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is		\$ 7,415,490
Accumulated depreciation/amortization is		<u>(3,235,357)</u>

Capital assets, net		4,180,133
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Security deposits held by the Council's landlords are not financial resources and therefore are not reported as assets in the governmental fund.		42,880
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Long-term liabilities are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.

Lease payable		<u>(3,660,666)</u>
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Net position of governmental activities		<u><u>\$ 1,132,866</u></u>
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**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

REVENUES	
Grants	\$ 35,927,472
Other revenue	347,265
Interest income	<u>23,738</u>
TOTAL REVENUES	<u>36,298,475</u>
EXPENDITURES	
Current	
Salaries and wages	11,144,079
Fringe benefits	3,919,366
Consumables	1,133,785
Transportation	158,671
Outside services	1,065,517
Space and communications	1,505,433
Equipment rent and maintenance	50,300
Equipment purchases	188,953
Other expenditures	726,641
Subrecipient program costs	479,398
Direct client services/training	15,832,135
Capital outlay	<u>2,275,991</u>
TOTAL EXPENDITURES	<u>38,480,269</u>
EXCESS OF REVENUES (UNDER)	
EXPENDITURES	<u>(2,181,794)</u>
OTHER FINANCING SOURCES (USES)	
Lease proceeds	2,275,991
Lease modification	<u>(188,615)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,087,376</u>
NET CHANGE IN FUND BALANCE	(94,418)
Fund balance, beginning of year	<u>664,937</u>
Fund balance, end of year	<u><u>\$ 570,519</u></u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balance - total governmental fund \$ (94,418)

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

Capital outlays are reported as expenditures in governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. In the current period, these amounts are:

Capital outlay	\$ 2,363,481	
Depreciation/amortization expense	<u>(1,378,599)</u>	
Excess of capital outlay over depreciation/amortization expense		984,882

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Lease Issuance	\$ (2,275,991)	
Payments on lease payable	<u>1,410,349</u>	
		(865,642)

Changes in the amount of security deposits held by the Council's landlords are not current period expenses and are not recognized in the governmental fund.	<u>(6,900)</u>
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Change in net position of governmental activities	<u><u>\$ 17,922</u></u>
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**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF NET POSITION
COMPENSATED ABSENCES INTERNAL SERVICE FUND
JUNE 30, 2023**

ASSETS	
Cash	\$ 1,057,353
LIABILITIES	
Current liabilities	
Current portion of compensated absences	<u>1,057,353</u>
NET POSITION	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
COMPENSATED ABSENCES INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023**

REVENUE		
Charges for services		<u>\$ 1,676,119</u>
EXPENSES		
Employee benefits		<u>1,676,119</u>
CHANGE IN NET POSITION		-
Net position, beginning of year		-
Net position, end of year		\$ -

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
STATEMENT OF CASH FLOWS
COMPENSATED ABSENCES INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2023**

Cash flows from operating activities	
Cash receipts from interfund services provided	\$ 1,676,119
Cash payments to employees	<u>(1,695,046)</u>
Net cash used by operating activities	(18,927)
Cash, beginning of year	<u>1,076,280</u>
Cash, end of year	<u><u>\$ 1,057,353</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
(Decrease) in compensated absences	<u>(18,927)</u>
Net cash used by operating activities	<u><u>\$ (18,927)</u></u>

See accompanying notes to the financial statements.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Area Community Services Employment and Training Council (the "Council") was formed in October 1985, through an Interlocal Agreement between Kent County and the City of Grand Rapids pursuant to the Michigan Urban Cooperation Act of 1967. The Interlocal Agreement was amended on July 1, 1996 to include Allegan County, October 1, 2014 to include Barry County, and October 1, 2015 to include Ionia County, Montcalm County, Muskegon County, and Ottawa County. The Council was established to serve as the primary advocate for the reduction of causes, conditions, and effects of poverty, providing social and economic opportunities that foster self-sufficiency for low-income persons, administer programs to prepare youth and unskilled adults for entry into the labor force, and to afford job training to those economically disadvantaged individuals and other persons facing serious barriers to employment who are in need of such services.

Accordingly, the Council is designated for Kent, Allegan, Barry, Ionia, Montcalm, Muskegon, and Ottawa Counties as the grant recipient/administrative entity, pursuant to the Workforce Innovation and Opportunity Act. The majority of the Council's grants receivable and revenue for the year ended June 30, 2023 were derived from contracts with agencies of the State of Michigan.

The financial statements of the Council have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the reporting entity of the Area Community Services Employment and Training Council. The criteria identified by GAAP, including financial accountability, have been utilized in identifying the Council's reporting entity which includes no component units.

Joint Venture

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Strategic Workforce Solutions is a nonprofit organization created in order to carry out and supplement similar functions of the Council within the framework of maintaining 501(c)(3) tax exempt status with the IRS. More specifically, Strategic Workforce Solutions will provide and administer separate programs and services that are outside the scope of the Council's core programming and services both within and outside of the Council's seven-county region. Strategic Workforce Solutions has a three-member board.

Strategic Workforce Solutions is financed by grants and private donations and maintains separate accounts. The joint venture is not considered to part of the Council's reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present information for the Council as a whole.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items properly not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Council.

Unearned revenue is reported on the balance sheet when potential revenue does not meet both "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Council before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

The Council reports the following *Major Governmental Fund*:

The *General Fund* is the Council's primary operating fund. It is used to account for all activities of the Council financed through federal, state, and local grant program sources.

Additionally, the government reports the following *Fund Type*:

The *Internal Service Fund* is used to report assets held by the Council to satisfy its obligation for compensated absences of its employees.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include unrestricted grants and interest income.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenue of the internal service fund is charges to other funds for employee benefits. Operating expenses for the internal service fund are comprised of compensated absences. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The budget is adopted annually before July 1.

Cash

The Council's cash is considered to be cash on hand and demand deposit accounts. In accordance with Michigan Compiled Laws, the Council is authorized to invest in the following investment vehicles:

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

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Accounts receivable include amounts billed or billable to grantors, net of an allowance for uncollectible amounts. Management establishes an allowance for losses based on specific situations and grant terms and conditions. Losses are written off to the allowance account when management determines that further collection efforts will not produce additional recoveries. As of June 30, 2023, no allowance was necessary.

Prepays

Payments to vendors for services that will benefit periods beyond the Council's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include furniture, office equipment, software, vehicles, right-to-use buildings, and right-to-use vehicles, are reported in the financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 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 acquisition 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.

Depreciation/amortization of capital assets is charged to an expense on the government-wide statement of activities as unallocated depreciation/amortization. Right to use assets of the Council are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Depreciation has been provided using the straight-line method over the estimated useful life of the asset, from 5 to 20 years.

Leases and Subscription-based Information Technology Arrangements (SBITA)

Lessee: The Council is a lessee for noncancelable leases/SBITA's of buildings, vehicles and SBITA. The Council recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Council uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Council generally uses its estimated incremental borrowing rate as the discount rate for leases.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases and Subscription-based Information Technology Arrangements (SBITA) (continued)

- The lease/SBITA term includes the noncancelable period of the lease. Lease/SBITA payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Council is reasonably certain to exercise.

The Council monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

Compensated Absences

A liability for a compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee are to be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer are to be accounted for in the period those services are rendered, or those events take place.

The Council's personnel policy states that accumulated vacation is to be used within one year of the date that it is credited to the employee. Therefore, accrued compensated absences is considered a short-term liability and has accordingly been reported on the statement of net position of the Council at June 30, 2023.

Unearned Revenues

The unexpended balance of certain grant award amounts is carried forward as unearned revenue in the governmental fund and the Statement of Net Position until the period in which eligible expenditures are incurred.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

- a. Nonspendable - the related assets form does not allow expenditure of the balance. The assets are either (1) not in a spendable form or (2) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
- b. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
- c. Committed - the related assets can only be spent for a specific purpose identified by formal action of the governing board.
- d. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
- e. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Balance Reporting (continued)

Fund Balance can only be committed by resolution of the Council Board. The Chief Executive Officer is authorized to make fund balance assignments. When multiple net position/fund balance classifications are available for use it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed.

For committed fund balance, the Council's highest level of decision-making authority is the Board of Directors. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board. Committed fund balances does not lapse at year end.

For assigned fund balance, the Council's Board of Directors is authorized to assign amount to a specific purpose. The authorization is delegated by the Board of Directors to the Council's Chief Executive Officer.

For the classification of fund balances, the Council considers restricted amounts to have been spent when an expenditure is incurred for the purposes of which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the Council considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and the balance sheet, when applicable, will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Council currently does not have any deferred outflows of resources or deferred inflows of resources.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Whenever possible, costs are allocated directly to each program. Joint costs are those costs incurred for the common benefit of all Council programs that cannot be readily identified with a final cost objective.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of June 30, 2023, \$1,790,128 of the Council's bank balance of \$2,536,946 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits are comprised of the following at June 30, 2023:

Checking/savings accounts \$ 2,007,115

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	As Restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated/amortized				
Office equipment	\$ 1,001,237	\$ 21,268	\$ 15,335	\$ 1,007,170
Furniture and fixtures	116,468	-	-	116,468
Software	227,022	-	-	227,022
Vehicles	426,852	66,222	-	493,074
Right to use - Buildings	3,698,308	2,256,815	545,049	5,410,074
Right to use - Vehicles	14,567	19,176	5,395	28,348
Right to use - Software	133,334	-	-	133,334
	<u>5,617,788</u>	<u>2,363,481</u>	<u>565,779</u>	<u>7,415,490</u>
Total capital assets being depreciated/amortized				
Less accumulated depreciation/amortization for				
Office equipment	868,384	70,201	15,335	923,250
Furniture and fixture	91,247	2,145	-	93,392
Software	156,565	35,421	-	191,986
Vehicles	310,855	59,585	-	370,440
Right to use - Buildings	988,815	1,173,042	545,049	1,616,808
Right to use - Vehicles	6,671	9,211	5,395	10,487
Right to use - Software	-	28,994	-	28,994
	<u>2,422,537</u>	<u>1,378,599</u>	<u>565,779</u>	<u>3,235,357</u>
Total accumulated depreciation/amortization				
Total capital assets being depreciated/amortized, net	<u>\$ 3,195,251</u>	<u>\$ 984,882</u>	<u>\$ -</u>	<u>\$ 4,180,133</u>

Depreciation/amortization expense is not allocated in the government-wide statement of activities.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ 1,076,280	\$ 1,657,192	\$ 1,676,119	\$ 1,057,353	\$ 1,057,353

Compensated absences payable are expected to be liquidated by the Internal Service Fund.

NOTE 5 - LEASES PAYABLE

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Ionia Service Center	\$ 12,547	\$ -	\$ 12,547	\$ -	\$ -
Fennville DDA Service Center	27,872	-	27,872	-	-
Zwei Burder	296,594	-	30,000	266,594	32,134
Saginaw Ionia	559,189	-	204,585	354,604	27,600
Rock Greenville Properties	227,850	-	65,045	162,805	69,422
County of Kent	773,987	-	15,994	757,993	18,443
Hinman Lake	449,021	-	449,021	-	-
Allegan County	63,622	-	55,811	7,811	7,811
New 40 Rector	330,619	-	330,619	-	-
Arbor Circle	19,273	-	19,273	-	-
Montcalm Care	20,667	-	20,667	-	-
North Kent Connect	5,670	-	3,328	2,342	2,342
Ford Explorer 2020	8,113	-	8,113	-	-
Ford Explorer 2023	-	19,176	2,513	16,663	6,059
Westshore Mall	-	2,256,815	164,961	2,091,854	110,989
Total	\$ 2,795,024	\$ 2,275,991	\$ 1,410,349	\$ 3,660,666	\$ 274,800

The terms and expiration of the Council's lease liability at June 30, 2023, follows:

Ionia Service Center - Office space lease agreement dated January 1, 2021 in the original principal amount of \$36,648 (from Implementation date), due in monthly installments of \$2,131, including imputed interest at 6.53%, through December 2022.

Fennville DDA Service Center - Office space lease agreement dated March 31, 2016 in the original principal amount of \$37,032 (from implementation date), due in monthly installments of \$925, including imputed interest at 6.53%, through June 2023.

Zwei Burder - Office space lease agreement dated April 1, 2020 in the original principal amount of \$326,466 (from implementation date), due in monthly installments of \$4,125, including imputed interest at 6.89%, through March 2030.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LEASES PAYABLE (continued)

Saginaw Ionia - Office space lease agreement dated September 10, 2021 and rent commencing from January 1, 2022 in the original principal amount of \$567,533, due in monthly installments of \$4,079 annual increases of 3.00% for the first 6 years of the agreement and then 2.50% for the final 10 years, including imputed interest at 6.89%, through December 2037.

Rock Greenville Properties - Office space lease agreement dated July 10, 2020 in the original principal amount of \$290,366 (from implementation date), due in monthly installments of \$6,500, including imputed interest at 6.53%, through September 2025.

County of Kent - Office space lease agreement dated December 15, 2009 in the original principal amount of \$792,241 (from implementation date), due in monthly installments of \$5,623, annually increasing 2.00%, including imputed interest at 6.89%, through May 2039.

Hinman Lake - Office space lease agreement dated August 1, 2016 in the original principal amount of \$874,464 (from implementation date), due in monthly installments of \$38,755, including imputed interest at 6.53%, through June 2023.

Allegan County - Office space lease agreement dated August 19, 2014 in the original principal amount of \$114,897 (from implementation date), due in monthly installments of \$3,852 annually increasing at 3%, including imputed interest at 6.53%, through August 2023.

New 40 Rector - Office space lease agreement dated January 1, 2021 in the original principal amount of \$531,535 (from implementation date), due in monthly installments of \$18,708, increasing 2.00% annually for the following years respectively, including imputed interest at 6.53%, through December 2023.

Arbor Circle - Office space lease agreement dated March 7, 2007 in the original principal amount of \$93,433 (from implementation date), due in monthly installments of \$6,000 annually increasing 2% since October 1, 2018, including imputed interest at 6.53%, through September 2022.

Montcalm Care - Office space lease agreement dated May 1, 2020 in the original principal amount of \$26,925 (from implementation date), due in monthly installments of \$640 up to September 30, 2022, and \$850 including imputed interest at 6.53%, through June 2023.

North Kent Connect - Office space lease agreement dated March 1, 2022 in the original principal amount of \$6,769 (from implementation date), due in monthly installments of \$300, including imputed interest at 6.53%, through February 2024.

Ford Explorer 2020 - Vehicle lease agreement dated September 5, 2020 in the original principal amount of \$14,567 (from implementation date), due in monthly installments of \$598, including imputed interest at 6.96%, through September 2023.

Ford Explorer 2023 - Vehicle lease agreement dated February 1, 2023 in the original principal amount of \$19,176, due in monthly installments of \$595, including imputed interest at 7.75%, through January 2026.

Westshore Mall - Office space lease agreement dated July 1, 2022 in the original principal amount of \$2,256,815, due monthly installments of \$22,417 annually increasing, including imputed interest at 5.50%, through June 2032.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTED 5 - LEASES PAYABLE (continued)

Minimum future lease payments as of June 30, 2023, are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 274,800	\$ 213,367	\$ 488,167
2025	345,524	193,103	538,627
2026	313,156	172,468	485,624
2027	316,477	154,155	470,632
2028	345,412	134,491	479,903
2029-2033	1,588,131	345,119	1,933,250
2034-2038	343,801	92,803	436,604
2039-2042	<u>133,365</u>	<u>2,837</u>	<u>136,202</u>
Total	<u>\$ 3,660,666</u>	<u>\$ 1,308,343</u>	<u>\$ 4,969,009</u>

All leases include a provision that allows the Council to terminate the lease agreement if grant funds received from the state or federal government are terminated or reduced in a way that it is unable to maintain a comparable level of program services, or the lessor is determined by the U.S. Department of Labor to be restricted from receiving federal funds.

NOTE 6 - GRANT AND OTHER RECEIVABLES

The following is a summary of grants and other receivables for the various grant programs as of June 30, 2023:

Going pro	\$ 3,232,841
WIOA	490,784
TANF/PATH	171,722
Employment Services	94,680
Other programs	<u>1,047,181</u>
Total	<u>\$ 5,037,208</u>

NOTE 7 - DEFINED CONTRIBUTION PLAN

The Council provides retirement benefits to substantially all employees through a defined contribution money purchase retirement plan, which is administered by a mutual insurance company. Required contributions are equal to 14% of gross wages paid to participating employees (i.e., the employer contributes 7% and the employees contribute 7%) and all contributions are fully and immediately vested.

Employer and employee contributions to the plan for the year ended June 30, 2023 amounted to \$842,738 each.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

The Council 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. The Council has purchased commercial insurance to cover these risks. The amount of coverage has not decreased nor has the amount of settlements exceeded coverage in the past three years.

NOTE 9 - CONTINGENCIES

The Council has received numerous federal grants for specific purposes that are subject to review and audit by grantor agencies. Although no amounts have been claimed, such audits could lead to requests for repayment to the grantor agency for expenditures disallowed under the terms of the grant. The Council believes such disallowances, if any, will be immaterial.

The Council has available a \$325,000 line of credit with interest charged at the bank's prime rate plus 1.50%.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Council is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Council is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Council implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**AREA COMMUNITY SERVICES EMPLOYMENT & TRAINING COUNCIL
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The restatement of the beginning of the year had the following impact on net position. The change for prepaid expenses under the purchased method is as follows:

	Governmental Activities
Net Position as of July 1, 2022, as previously stated	\$ 981,610
Adoption of GASB Statement 96	133,334
Net Position as of July 1, 2022, as restated	\$ 1,114,944

The change for capital assets is as follows:

	Capital Asset
Balance as of July 1, 2022, as previously stated	\$ 3,061,917
Adoption of GASB Statement 96	133,334
Balance as of July 1, 2022, as restated	\$ 3,195,251

REQUIRED SUPPLEMENTARY INFORMATION

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Grants and other	\$ 33,713,000	\$ 36,845,000	\$ 35,927,472	\$ (917,528)
Program income	20,000	150,000	-	(150,000)
Other income	-	-	347,265	347,265
Interest income	-	-	23,738	23,738
TOTAL REVENUES	<u>33,733,000</u>	<u>36,995,000</u>	<u>36,298,475</u>	<u>(696,525)</u>
EXPENDITURES				
Current				
Salaries and wages	11,300,000	11,200,000	11,144,079	55,921
Fringe benefits	4,087,000	3,950,000	3,919,366	30,634
Consumables	860,000	1,175,000	1,133,785	41,215
Transportation	103,000	165,000	158,671	6,329
Outside services	901,000	960,000	1,065,517	(105,517)
Space and communications	1,767,000	1,750,000	1,505,433	244,567
Equipment rent and maintenance	55,000	55,000	50,300	4,700
Equipment purchases	300,000	200,000	188,953	11,047
Other expenditures	456,000	740,000	726,641	13,359
Subcontracted program costs	895,000	800,000	479,398	320,602
Direct client services/training	13,009,000	16,000,000	15,832,135	167,865
Capital outlay	-	-	2,275,991	(2,275,991)
TOTAL EXPENDITURES	<u>33,733,000</u>	<u>36,995,000</u>	<u>38,480,269</u>	<u>(1,485,269)</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(2,181,794)</u>	<u>(2,181,794)</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	2,275,991	2,275,991
Lease modification	-	-	(188,615)	(188,615)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,087,376</u>	<u>2,087,376</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(94,418)</u>	<u>(94,418)</u>
Fund balance, beginning of year	<u>664,937</u>	<u>664,937</u>	<u>664,937</u>	<u>-</u>
Fund balance, end of year	<u>\$ 664,937</u>	<u>\$ 664,937</u>	<u>\$ 570,519</u>	<u>\$ (94,418)</u>

OTHER SUPPLEMENTARY INFORMATION

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program Title	Award/Contract Number	Assistance Listing Number	Program Expenditures	Pass-through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through The Department of Labor and Economic Opportunity - Workforce Development - State of Michigan				
SNAP Cluster				
Food Assistance Employment & Training FY22	202121Q750342	10.561	\$ 48,636	\$ -
Food Assistance Employment & Training FY23	202323Q750342	10.561	106,330	-
Food Assistance Employment & Training FY23 -Support Services Plus Program FY23	202323Q750342 202121S251942	10.561 10.561	15 55,954	- 45,562
TOTAL U.S. DEPARTMENT OF AGRICULTURE			210,935	45,562
U.S. DEPARTMENT OF LABOR				
Passed through net.America				
RAP - Healthcare	1605C220C220C0012	17.201	17,146	-
Passed through The Department of Labor and Economic Opportunity - Workforce Development - State of Michigan				
Employment Services Cluster				
AY21 Wagner Peyser 7(A) MWA 7A	ES353502055A26	17.207	155,739	-
AY21 Wagner Peyser 7(A) Clean Slate Pilot	ES367602155A26	17.207	121,952	-
AY20 Wagner Peyser 7(A) GOING PRO TF	ES353502055A26	17.207	706,965	-
AY22 Wagner Peyser 7(B) IFA - MSFW	ES353502055A26	17.207	26,855	-
AY22 Wagner Peyser 7(A) MWA 7A	ES367602255A26	17.207	1,090,398	-
Total ALN 17.207			2,101,909	-
Jobs for Veterans' State Grants - IFA				
FY22 VETS Infrastructure Funding Agreements - PY22	DV357523155526	17.801	5,357	-
FY23 VETS Infrastructure Funding Agreements - PY22	DV357523155526	17.801	17,086	-
Total ALN 17.801			22,443	-
Total Employment Services Cluster			2,124,352	-
Unemployment Insurance Activities				
AY23 Unemployment Insurance - PY22 IFA	UI37XXX2355A26	17.225	59,107	-
AY22 Unemployment Insurance - PY22 IFA	UI356552155A26	17.225	18,786	-
CY21 RESEA 2021	UI359512160A26	17.225	354,229	-
CY22 RESEA 2022	UI379862260A26	17.225	76,729	-
Total ALN 17.225			508,851	-
Trade Adjustment Assistance				
Trade Adjustment Assistance - TAA AY20	TA344502055A26	17.245	83,521	-
Trade Adjustment Assistance - TAA AY21	TA360562155A26	17.245	165,061	-
Total ALN 17.245			248,582	-
Workforce Innovation and Opportunity Act (WIOA) Cluster				
Workforce Innovation and Opportunity Act (WIOA) - Adult				
Adult Program AY21	AA363262155A26	17.258	1,255,363	-
Adult Program AY22	AA385362255A26	17.258	2,769,816	-
PY22 Add'l Training Support	AA347752055A26	17.258	63,375	-
Capacity Building	AA347752055A26	17.258	33,079	-
Career Ex Events	AA347752055A26	17.258	10,140	-
CRM	AA347752055A26	17.258	2,556	-
MICA 2.0 - Cycle 1	AA321961855A26	17.258	(296)	-
Local Administration AY21	AA363262155A26	17.258	254,523	-
Local Administration AY22	AA385362255A26	17.258	20,341	-
Integrated Education and Training (IET)	AA347752055A26	17.258	3,078	-
Summer Young Professionals 2022 Initiative	AA347752055A26	17.258	72,045	-
Summer Young Professionals 2023 Initiative	AA363262155A26	17.258	17,162	-
Total WIOA - Adult			4,501,182	-

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program Title	Award/Contract Number	Assistance Listing Number	Program Expenditures	Pass-through to Subrecipients
U.S. DEPARTMENT OF LABOR (continued)				
Passed through The Department of Labor and Economic Opportunity - Workforce Development - State of Michigan (continued)				
Workforce Innovation and Opportunity Act (WIOA) - Youth				
Youth Activities AY21	AA363262155A26	17.259	\$ 1,619,980	\$ 283,699
Youth Activities AY22	AA385362255A26	17.259	1,293,719	195,698
PY22 Add'l Training Support	AA347752055A26	17.259	68,813	
Capacity Building	AA347752055A26	17.259	35,917	-
Career Ex Events	AA347752055A26	17.259	11,010	-
CRM	AA347752055A26	17.259	2,776	-
MICA 2.0 - Cycle 1	AA321961855A26	17.259	(322)	-
Local Administration AY21	AA363262155A26	17.259	275,734	-
Local Administration AY22	AA385362255A26	17.259	22,112	-
Integrated Education and Training (IET)	AA347752055A26	17.259	3,334	-
Summer Young Professionals 2022 Initiative	AA347752055A26	17.259	78,226	-
Summer Young Professionals 2023 Initiative	AA363262155A26	17.259	18,592	-
			3,429,891	479,397
Total WIOA - Youth				
Workforce Innovation and Opportunity Act (WIOA) - Dislocated Worker				
Dislocated Worker AY21	AA363262155A26	17.278	256,509	-
Dislocated Worker AY22	AA385362255A26	17.278	925,528	-
PY22 Add'l Training Support	AA347752055A26	17.278	55,313	-
Capacity Building	AA347752055A26	17.278	28,871	-
Career Ex Events	AA347752055A26	17.278	8,850	-
CRM	AA347752055A26	17.278	2,231	-
MICA 2.0 - Cycle 1	AA321961855A26	17.278	(259)	-
Local Administration AY21	AA363262155A26	17.278	255,309	-
Local Administration AY22	AA385362255A26	17.278	20,599	-
Integrated Education and Training (IET)	AA347752055A26	17.278	3,088	-
Summer Young Professionals 2022 Initiative	AA347752055A26	17.278	62,879	-
Summer Young Professionals 2023 Initiative	AA363262155A26	17.278	17,215	-
			1,636,133	-
Total WIOA - Dislocated Worker				
Total WIOA Cluster				
			9,567,206	479,397
Passed through The Department of Labor and Economic Opportunity - Workforce Development - State of Michigan				
H-1B Rural Healthcare Grant				
MiREACH	HG359222160A26	17.268	215,469	-
Passed through Grand Rapids Community College				
One Workforce	HG-35916-21-60-A-26	17.268	272,961	-
One Workforce	HG-35916-21-60-A-26	17.268	269,104	-
			757,534	-
TOTAL ALN 17.268				
Passed through The Department of Labor and Economic Opportunity - Workforce Development - State of Michigan				
2020 SAE MIRAIN				
	AP351172060A26	17.285	130,375	-
2020 SEA MIYARN				
	AP350832060A26	17.285	72,789	-
Going PRO Apprenticeship PY18	AP334931960A26	17.285	(313)	-
Going PRO Apprenticeship PY18	AP334931960A26	17.285	60,000	-
			60,000	-
Passed through Michigan Chamber of Commerce Foundation				
SAE-MEWDG	SAE 2020 MEWDC	17.285	343,193	-
			343,193	-
TOTAL ALN 17.285				
			606,044	-
TOTAL U.S. DEPARTMENT OF LABOR				
			13,829,715	479,397

**AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program Title	Award/Contract Number	Assistance Listing Number	Program Expenditures	Pass-through to Subrecipients
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through Labor & Economic Opportunity-Workforce Development - State of Michigan				
FY22 State Vocational Rehab Services - IFA	H126A200099	84.126	\$ 10,440	\$ -
FY23 State Vocational Rehab Services - IFA	H126A200099	84.126	32,871	-
TOTAL ALN 84.126			43,311	-
Passed through Labor & Economic Opportunity-Workforce Development - State of Michigan				
FY20 MI_LEAP	V425G200035	84.425G	1,261,581	450,376
TOTAL U.S. DEPARTMENT OF EDUCATION			1,304,892	450,376
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through Labor & Economic Opportunity-Workforce Development - State of Michigan				
477 Cluster				
Temporary Assistance for Needy Families (TANF)				
TANF - PATH FY22	2201MITANF	93.558	2,259,829	-
TANF - PATH FY23	2301MITANF	93.558	4,726,562	-
TANF - PATH Supportive Services FY23	2301MITANF	93.558	67,040	-
Total 477 Cluster			7,053,431	-
Passed through Labor & Economic Opportunity-Workforce Development - State of Michigan				
FY21 LEAP PILOT	DHHS IAR	93.563	167,789	-
Passed through Labor & Economic Opportunity-Workforce Development - State of Michigan				
Chafee Foster Care-SYEP FY22	1901MICILP	93.674	1,250	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			7,222,470	-
TOTAL FEDERAL AWARD EXPENDITURES			\$ 22,568,012	\$ 975,335

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Area Community Services Employment and Training Council and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Area Community Services Employment and Training Council has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the June 30, 2023 basic financial statements to the expenditures the Council administered federal programs reported in the Schedule of Expenditures of Federal Awards:

	Grants	Less State/Local Revenue	Federal Award Expenditures
PRIMARY GOVERNMENT GENERAL FUND	\$ 35,927,472	\$ 13,359,460	\$ 22,568,012



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**INDEPENDENT AUDITOR'S 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***

To the Council Governing Board of the
Area Community Services Employment & Training Council
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Area Community Services Employment & Training Council (the Council) as of and for the year ended June 30, 2023, and the related notes to the financial statements which collectively comprise the Council's basic financial statements and have issued our report thereon dated February 13, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from 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 financial statements. 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

February 13, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Council Governing Board of the
Area Community Services Employment & Training Council
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Area Community Services Employment & Training Council's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of as of Area Community Services Employment & Training Council's major federal programs for the year ended June 30, 2023. Area Community Services Employment & Training Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Area Community Services Employment & Training Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Area Community Services Employment & Training Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Area Community Services Employment & Training Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Area Community Services Employment & Training Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Area Community Services Employment & Training Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Area Community Services Employment & Training Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Area Community Services Employment & Training Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Area Community Services Employment & Training Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Area Community Services Employment & Training Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

February 13, 2024

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)?

Yes No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.278 84.425	WIOA Cluster Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with the Uniform Guidance.

No prior audit findings noted.