



To the Board of Directors  
Networks Northwest  
Traverse City, Michigan

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Networks Northwest (the Agency) for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies were not changed during the year ended September 30, 2017. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

Management's calculation of the depreciation expense is based on the estimated useful lives.

Management's calculation of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's allocation of indirect costs between programs is based on actual hours worked by staff on a particular program. We evaluated the key factors and assumptions used to develop the allocation of indirect costs in determining that it is reasonable in relation to the financial statements taken as a whole.

Investments are carried at fair value, which is defined as the amount that the Agency could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 4, 2018.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the administration and members of the Board of Directors of Networks Northwest and is not intended to be, and should not be, used by anyone other than these specified parties.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

May 4, 2018

**Networks Northwest  
Traverse City, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2017**

Networks Northwest  
Traverse City, Michigan  
September 30, 2017

BOARD MEMBERS

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Michael MacCready	Board Member
Coury Carland	Board Member

\* \* \* \* \*

Elaine Wood	Chief Executive Officer
Darla Rowland	Director of Finance and Quality Assurance

Networks Northwest

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Networks Northwest  
Traverse City, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Networks Northwest (the Agency) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Networks Northwest, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Networks Northwest's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor fund financial statements and 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 May 4, 2018, on our consideration of Networks Northwest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Networks Northwest's internal control over financial reporting and compliance.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

May 4, 2018



# **Management's Discussion and Analysis For Fiscal Year Ended September 30, 2017**

## **Using this Annual Report**

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the management's review of the Networks Northwest (the Agency) financial performance during the year ended September 30, 2017. The Management's Discussion and Analysis is intended to be read in conjunction with the Agency's financial statements.

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Agency financially as a whole.

## **Overview of the Financial Statements**

The Networks Northwest 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 other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements:**

The government-wide financial statements provide information about the activities of the entire Agency. They present an overall view of the Agency's finances, reporting all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, for the year ended September 30, 2017 using the accrual basis of accounting.

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

The statement of activities presents information showing how the government's net assets changed during the year ending September 30, 2017. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

The Agency's operations are supported by governmental grants, rents, and interest. The governmental activities of the Agency are all considered employment and training or planning programs. The Agency does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Agency. The government-wide financial statements can be found on pages 1-2 of this report.

### **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 Agency uses fund accounting to ensure and demonstrate compliance with program requirements.

### **Governmental funds:**

The governmental fund financial statements are reported on the modified accrual basis of accounting. 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.

## Management's Discussion and Analysis For Fiscal Year Ended September 30, 2017

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 fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

### 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. The notes to the financial statements can be found on pages 7-21 of this report.

### Financial Highlights

- The assets of the Agency exceeded its liabilities at September 30, 2017, by \$952,892 at the entity-wide level. Of this amount, \$446,681 (unrestricted net position) may be used to meet the Agency's ongoing obligations.
- The Agency's total net position decreased by \$119,613 as a result of this period's operations.
- As of September 30, 2017, the Agency's governmental funds reported an ending fund balance of \$1,249,005, a decrease of \$128,338.
- As of September 30, 2017, the nonspendable fund balance was \$91,962, the restricted fund balance was \$434,456, and the unassigned fund balance was \$722,298.

### 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 Agency, assets exceeded liabilities by \$952,892. The following table compares net position data for September 30, 2017 to net position data for the prior year September 30, 2016.

	2016	2017	Change 2016-2017
Current assets	\$ 2,298,346	\$ 2,155,794	\$ (142,552)
Noncurrent assets	736,339	880,943	144,604
Capital assets	40,066	71,466	31,400
<b>Total assets</b>	<b>3,074,751</b>	<b>3,108,203</b>	<b>33,452</b>
Current liabilities	1,760,813	1,898,006	137,193
Noncurrent liabilities	241,433	257,305	15,872
<b>Total liabilities</b>	<b>2,002,246</b>	<b>2,155,311</b>	<b>153,065</b>
Net position			
Invested in capital assets	40,066	71,466	31,400
Restricted	555,116	434,745	(120,371)
Unrestricted	477,323	446,681	(30,642)
<b>Total net position</b>	<b>\$ 1,072,505</b>	<b>\$ 952,892</b>	<b>\$ (119,613)</b>

Unrestricted net position (the part of net position that can be used to finance day to day operations) decreased by \$30,642. This represents a decrease of approximately 6.5 percent. The current level of unrestricted net position for our governmental activities stands at \$446,181, or approximately 4.5 percent of annual expenses.

## Management's Discussion and Analysis For Fiscal Year Ended September 30, 2017

The following table compares the changes in net assets for the year ended September 30, 2017 to changes in net assets for the year ended September 30, 2016.

	2016	2017
Program revenues		
Operating grants and other/contributions	\$ 9,355,343	\$ 9,064,635
Charges for Services	850,180	749,579
General revenue		
Interest	24,475	21,659
(Losses) on investments	(8,317)	(19,063)
Other local sources	15,747	10,091
<b>Total revenues</b>	<b>10,237,428</b>	<b>9,826,901</b>
Program expenses	10,249,277	9,946,514
<b>Change in net position</b>	<b>(11,849)</b>	<b>(119,613)</b>
Net position, beginning of year	1,084,354	1,072,505
<b>Net position, end of year</b>	<b>\$ 1,072,505</b>	<b>\$ 952,892</b>

### Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with program requirements.

#### **Governmental Funds:**

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Agency's financing requirements. In particular, expendable-unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2017, the governmental funds reported an ending fund balance of \$1,249,005; a decrease of \$128,338 from the prior year. Of this total, \$91,962 is the nonspendable portion for prepaid expenditures, \$434,745 is restricted for various grants, and \$722,298 is unassigned.

As a measure of the governmental fund's liquidity, it may be useful to compare total fund balance and unassigned fund balance to total fund expenditures. Total fund balance for 2017 represents approximately 12.55 percent of total fund expenditures, while unassigned fund balance represents approximately 7.26 percent of total expenditures.

### Capital Assets and Debt Administration

#### **Capital Assets:**

The Agency's investment in capital assets as of September 30, 2017, amounts to \$71,466 (net of accumulated depreciation).

#### **Long-term Obligations:**

The Agency has a long-term obligation related to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2017 was \$367,579, and at September 30, 2016 was \$344,904.

# **Management's Discussion and Analysis For Fiscal Year Ended September 30, 2017**

## **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Agency made necessary budget adjustments to reflect current year activity. The total expenditure budget had an unfavorable variance of \$8,467 mainly due to receiving less revenue than expected in 2017 in the general government activities.

## **Regional Planning Fund Budgetary Highlights**

Over the course of the fiscal year, the Agency made necessary budget adjustments to reflect current year activity. The total expenditure budget had an unfavorable variance of \$126,637 mainly due to receiving less revenue than expected in 2017 in the general government activities.

## **Economic Factors**

Networks Northwest expenditures decreased slightly from FY 16 to FY 17. The decrease comes after the first increase in six years during FY 16. Decreases in Federal funding were offset by increases in State funding, resulting in an overall decrease of 3%. Federal funding decreases continued in the Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker and Youth programs. Funding levels for WIOA programs are expected to remain stable next year.

FY 17, when compared to the prior fiscal year, Federal funding as a percent of total funding lowered slightly from 69.8% to 65%, while funding from the State of Michigan increased from 27.1% of total to 29.6% of total, and funding from other sources increased from 3.2% to 5.5% of total.

## **Requests for Information**

This financial report is designed to provide a general overview of the Networks Northwest finances for all those with an interest in the government's finances and to show the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Networks Northwest located at 600 East Front Street, Suite 104, Traverse City, Michigan, or, mailing address of P.O. Box 506, Traverse City, Michigan 49685-0506.

## **BASIC FINANCIAL STATEMENTS**

Networks Northwest  
STATEMENT OF NET POSITION  
September 30, 2017

	Primary Government Governmental Activities	Component Unit Northwest Michigan Works, Inc.
<b>ASSETS</b>		
Current assets		
Cash	\$ 796,599	\$ 292,868
Investments	317,317	468,084
Accounts receivable		
Networks Northwest	-	737,084
State of Michigan	895,269	-
Other	54,647	123,529
Prepays	91,962	59,935
Total current assets	2,155,794	1,681,500
Noncurrent assets		
Investments	880,943	26,492
Capital assets, net of accumulated depreciation	71,466	-
Total noncurrent assets	952,409	26,492
TOTAL ASSETS	3,108,203	1,707,992
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable		
NW Michigan Works!	737,084	-
Other	356,485	56,734
Accrued wages	74,533	194,014
Unearned revenue	619,630	41,790
Compensated absences - current portion	110,274	-
Total current liabilities	1,898,006	292,538
Noncurrent liabilities		
Compensated absences - noncurrent portion	257,305	-
TOTAL LIABILITIES	2,155,311	292,538
<b>NET POSITION</b>		
Investment in capital assets	71,466	-
Restricted	434,745	-
Unrestricted	446,681	1,415,454
TOTAL NET POSITION	\$ 952,892	\$ 1,415,454

See accompanying notes to the financial statements.

Networks Northwest

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit
Primary Government					
Governmental Activities					
Administration	\$ 387,020	\$ -	\$ 414,712	\$ 27,692	\$ -
Training	1,959,611	-	1,959,611	-	-
Services	6,918,966	749,579	6,028,362	(141,025)	-
Intensive	281,822	-	281,822	-	-
Core services	88,741	-	88,741	-	-
Procurement	291,387	-	291,387	-	-
Unallocated depreciation	18,967	-	-	(18,967)	-
Total governmental activities	<u>\$ 9,946,514</u>	<u>\$ 749,579</u>	<u>\$ 9,064,635</u>	(132,300)	-0-
Component unit					
Northwest Michigan Works! Inc.	<u>\$ 4,090,119</u>	<u>\$ -</u>	<u>\$ 4,231,210</u>	-0-	141,091
GENERAL REVENUES					
				2,596	10,204
				10,091	-
Total general revenues				<u>12,687</u>	<u>10,204</u>
Change in net position				(119,613)	151,295
Net position, beginning of year				<u>1,072,505</u>	<u>1,264,159</u>
Net position, end of year				<u>\$ 952,892</u>	<u>\$ 1,415,454</u>

See accompanying notes to the financial statements.

Networks Northwest

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2017

	General	Regional Planning	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 796,599	\$ 796,599
Investments	1,198,260	-	-	1,198,260
Accounts receivable				
State of Michigan	-	22,200	873,069	895,269
Other	18,298	-	36,349	54,647
Due from other funds	173,406	385,372	94,798	653,576
Prepays	61,980	500	29,482	91,962
<b>TOTAL ASSETS</b>	<u>\$ 1,451,944</u>	<u>\$ 408,072</u>	<u>\$ 1,830,297</u>	<u>\$ 3,690,313</u>
<b>LIABILITIES</b>				
Accounts payable				
NW Michigan Works!	\$ 441,127	\$ -	\$ 295,957	\$ 737,084
Other	81,633	79,597	195,255	356,485
Accrued wages	74,533	-	-	74,533
Due to other funds	-	-	653,576	653,576
Unearned revenue	40,891	-	578,739	619,630
<b>TOTAL LIABILITIES</b>	638,184	79,597	1,723,527	2,441,308
<b>FUND BALANCES</b>				
Nonspendable	61,980	500	29,482	91,962
Restricted	-	327,975	106,770	434,745
Unassigned	751,780	-	(29,482)	722,298
<b>TOTAL FUND BALANCES</b>	<u>813,760</u>	<u>328,475</u>	<u>106,770</u>	<u>1,249,005</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,451,944</u>	<u>\$ 408,072</u>	<u>\$ 1,830,297</u>	<u>\$ 3,690,313</u>

See accompanying notes to the financial statements.



Networks Northwest

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

September 30, 2017

**Total fund balance - governmental funds** \$ 1,249,005

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 funds.

The cost of capital assets is	\$ 719,740
Accumulated depreciation is	<u>(648,274)</u>

71,466

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	<u>(367,579)</u>
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**Net position of governmental activities** \$ 952,892

Networks Northwest

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

Year ended September 30, 2017

	General	Regional Planning	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Grants				
Federal	\$ -	\$ -	\$ 5,936,091	\$ 5,936,091
State	-	-	2,360,506	2,360,506
Rent	749,579	-	-	749,579
Interest earned	21,659	-	-	21,659
Net (loss) on fair value of investments	(19,063)	-	-	(19,063)
Other local sources	10,091	147,061	620,977	778,129
TOTAL REVENUES	762,266	147,061	8,917,574	9,826,901
EXPENDITURES				
Administration	-	-	414,712	414,712
Training	-	-	1,959,611	1,959,611
Services	770,733	271,305	5,876,928	6,918,966
Intensive	-	-	281,822	281,822
Core services	-	-	88,741	88,741
Procurement	-	-	291,387	291,387
TOTAL EXPENDITURES	770,733	271,305	8,913,201	9,955,239
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,467)	(124,244)	4,373	(128,338)
OTHER FINANCIAL SOURCES (USES)				
Transfers in	-	-	9,408	9,408
Transfers out	-	(2,393)	(7,015)	(9,408)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(2,393)	2,393	-0-
NET CHANGE IN FUND BALANCES	(8,467)	(126,637)	6,766	(128,338)
Fund balance, beginning of year	822,227	455,112	100,004	1,377,343
Fund balances, end of year	<u>\$ 813,760</u>	<u>\$ 328,475</u>	<u>\$ 106,770</u>	<u>\$ 1,249,005</u>

See accompanying notes to the financial statements.

Networks Northwest

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

Year Ended September 30, 2017

**Net change in fund balances - total governmental funds** **\$ (128,338)**

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

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

Capital outlay	\$	50,367	
Depreciation expense		<u>(18,967)</u>	
Excess of capital outlay over depreciation expense			31,400

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences		<u>(22,675)</u>
--	--	-----------------

<b>Change in net position of governmental activities</b>		<b><u><u>\$ (119,613)</u></u></b>
--	--	-----------------------------------

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Networks Northwest (the Agency) is a voluntary association of counties within the ten-county North West Michigan region. The Agency was established in 1984 to assist local governments in planning for common needs, cooperating for mutual benefit, administering the Employment and Training programs, and coordinating for sound regional development. Networks Northwest is a political subdivision that was organized pursuant to Public Act 7 and the State of Michigan under the Urban Cooperation Act of 1967.

The Agency's purpose is to provide employment and training programs, regional planning services, and other social programs for a ten-county region that includes Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties. These operations are reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance in the General Fund. This fund is supplemented by Federal and State administered grant funds to permit the Agency to undertake specific programs. These specific programs are reflected in the Special Revenue Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The employment, training, and education services have in the past been provided by outside service providers. Effective July 1, 2012, the Michigan Department of Workforce Development, which provides the employment, training and education funds, granted permission to the Agency to allow the Northwest Michigan Works! Inc. (NMW), a nonprofit corporation that was formed by and is related to the Agency, to provide many of these education and training services as a service provider. Funds are administered by management of the Agency. The NMW and outside service providers are considered subcontractors of the Agency and are treated for accounting purposes as separate organizations. The Agency is responsible for monitoring the service provider contract activities.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Agency and its component unit. The component unit described in Section 2 below should be included in the Agency's reporting entity because of the significance of their operational or financial relationship with the Agency.

The inclusion of the activities of the component unit is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Networks Northwest contain all the funds controlled by the Board of Directors.

**2. Discretely Presented Component Unit**

The component unit is reported in a separate column to emphasize that, while legally separate, Networks Northwest remains financially accountable for this entity or the nature and significance of the relationship between the entities and is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component unit:

Northwest Michigan Works! - The Agency has the ability to significantly influence operations of Northwest Michigan Works!. Northwest Michigan Works! has a September 30, 2017 year end, and is audited separately. The financial statements are available at Northwest Michigan Works!, 600 E. Front Street, Suite 104, Traverse City, MI 49685-0506. The Agency and Northwest Michigan Works! share an executive director and finance director.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

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

FUND FINANCIAL STATEMENTS

The Agency uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Agency utilizes governmental funds.

The financial statements present the Agency's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balance. Nonmajor funds are combined and shown in a single column.

The major funds of the agency are:

- a. The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the primary government except those that are required to be accounted for in another fund.
- b. The Regional Planning Fund is used to account for the operation of local programs to facilitate community outreach.

Listed below are the acronyms used for the major and nonmajor funds.

SBDC	Small Business Development Center	WIOA	Workforce Innovation and Opportunity Act
MEDC	Michigan Economic Development Corporation	EDA	Economic Development Administration
TANF	Temporary Assistance for Needy Families	GF/GP	General Funds General Purpose
MSHDA	Michigan State Housing Development Authority	MSU	Michigan State University
NEG	National Emergency Grants	DOL	Department of Labor
PTAC	Procurement Technical Assistance Center	MRS	Michigan Rehabilitation Services
MDARD	Michigan Dept. of Agriculture and Rural Development	DW	Dislocated Worker
SWA	Statewide Activities	IDA	Individual Development Accounts
ETC	Employer Training Council	DWT	Dislocation Worker Training
OJT	On the Job Training	SYEP	Summer Youth Employment Program
TGAAA	Trade and Globalization Adjustment Assistance Act	WP	Wagner Peyser
EUC	Emergency Unemployment Compensation	UI	Unemployment Insurance
WIOA	Workforce Innovation and Opportunity Act	MAT 2	Michigan Advanced Technician Training
CB	Capacity Building	RES	Reemployment Services
RR	Rapid Response	RESEA	Reemployment Serv. and Elig. Assess.
GHMWW	Worksite Wellness	WBT	Work Based Training
JAG	Jobs for America's Graduates	HIP	Health Innovation Program
CJS	Career Jump Start	DTMB	Department of Tech, Mgmt, and Budget
RPI	Regional Prosperity Initiative	DEQ	Department of Environmental Quality

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

Acronyms used for the major and nonmajor funds - continued

PATH	Partnership, Accountability, Training, and Hope	SP	Sector Partnership
DGG	Defense Growth Grant	JMG	Jobs for Michigan's Graduates
USDA	United States Department of Agriculture	OS	Offender Success
DNR	Department of Natural Resources	BVWT	Betsie Valley Water Trail
CZM	Coastal Zone Management	HUD	Housing and Urban Development
CDC	Collaborative Development Council	TAA	Trade Adjustment Assistance
TTCI	Traverse Transportation Coordinating Initiative	MRS	Michigan Rehab Services

4. Measurement Focus

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

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

5. Basis of Accounting

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

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all the eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Agency before it has legal claim to it, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is defined as expected to be received within sixty (60) days of year-end. Revenues susceptible to accrual include state and federal aid and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

6. Cash and Investments

The Agency pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Cash consists of checking accounts.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Cash and Investments - continued

Investments include mortgage and asset backed securities held by Fifth Third Investment Management and Trust Services. All securities are stated at fair value.

7. Accounts Receivable

Accounts receivable consist of amounts due from the State of Michigan or pass-through entities for reimbursement of grant expenses. The accounts receivable and revenue is recognized at the time eligible grant expenses are incurred.

8. Prepaid Expenditures/Expenses

Prepays consist of amounts paid in the current year that pertain to the following fiscal year. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

9. Capital Assets

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

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

Vehicles	5 years
Equipment and computers	5 years

10. Unearned Revenue

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are made.

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Agency has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits. Accumulated vested amounts to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes in the government-wide financial statements. As of September 30, 2017, compensated absences totaled \$367,579.

12. Governmental Grants

Governmental grants that are for particular operating purposes are recognized as revenue when expenditures are incurred under the grant programs.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the government-wide financial statements.

14. Allocated Costs

Joint costs are allocated to benefiting programs using time and attendance allocation methods, depending on the type of joint cost. Joint costs are costs incurred for the general benefit of all agency programs, but which cannot be identified with a final cost objective. The following is a summary of the Agency's cost allocation methods:

Personnel Costs - Direct administrative personnel time is actual time worked in a specific program and is charged by cost category. Cost pools allocate indirect administrative personnel time costs based on aggregate hours worked in each programmatic cost category.

Space Costs - Space costs, such as insurance, utilities, maintenance, etc., are charged to administration, direct training, or training related cost pools, based on square footage and then utilization, followed by further allocation based on time and attendance.

Other Joint Costs - Other joint costs are charged to agency programs based on the amounts used by each program or by other appropriate methods.

15. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

16. Budgets

The Chief Financial Officer is responsible for submitting the proposed operating budget for the following fiscal year to the Board of Directors. The Board, during its review, holds public hearings to obtain public comments. The budget is legally enacted through passage of a resolution.

The budgets for the governmental funds are adopted on a fund total basis, which is the legal level of budgetary control.

17. Comparative Data

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

18. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. The Agency currently has no items that qualify for reporting in this category.



NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE A: DESCRIPTION OF THE AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. Deferred Outflows/Inflows of Resources - continued

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 Agency currently has no items that qualify for reporting in this category.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The Agency's pooled cash accounts are utilized by the General and Special Revenue Funds. The pooled accounts are included in the cash captions on the balance sheet/statement of net position.

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Banker's acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of September 30, 2017, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 795,999	\$ 902,204
COMPONENT UNIT		
Checking	<u>292,191</u>	<u>297,496</u>
	<u>\$ 1,088,190</u>	<u>\$ 1,199,700</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits - continued

Deposits of the Agency are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Agency. As of September 30, 2017, \$500,000 of the Agency's and component unit's bank balance was covered by the FDIC. The balance of \$699,700 was uninsured and uncollateralized. The Agency and component unit maintains a petty cash imprest amount of \$600, and \$677, respectively, which is included in cash on the balance sheet.

Fair Value of Investments

GAAP have established a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under GAAP are described below.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The following is a market value summary by the level of inputs used, as of September 30, 2017, in evaluating the Agency's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

**Primary Government**

	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
Uncategorized pooled investments	\$ -	\$ 77,304	\$ -	\$ 77,304
Mortgage and asset backed securities	-	1,120,956	-	1,120,956
	<u>\$ -0-</u>	<u>\$ 1,198,260</u>	<u>\$ -0-</u>	<u>\$ 1,198,260</u>

**Component Unit**

	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
Uncategorized pooled investments	\$ 17,001	\$ -	\$ -	\$ 17,001
Corporate bonds	77,301	-	-	77,301
Exchange traded funds	125,872	-	-	125,872
Mutual funds	274,402	-	-	274,402
	<u>\$ 494,576</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 494,576</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

The cash and investments referred to above have been reported in the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2017:

	Primary Government	Component Unit	Reporting Entity
Cash and cash equivalents	\$ 796,599	\$ 292,868	\$ 1,089,467
Investments - current	317,317	468,084	785,401
Investments - noncurrent	880,943	26,492	907,435
	<u>\$ 1,994,859</u>	<u>\$ 787,444</u>	<u>\$ 2,782,303</u>

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Agency's investment policy does not have specific limits in excess of state law on investment credit risk. As of September 30, 2017, the investments listed above are either unrated or not subject to credit risk disclosure.

Interest Rate Risk

The Agency will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The Agency's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following summarizes the maturity dates for investments held at year-end:

	<u>&lt; 1 year</u>	<u>1-10 years</u>
Mortgage and asset backed securities	<u>\$ 240,013</u>	<u>\$ 880,943</u>

Concentration of Credit Risk

The Agency will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order to prevent potential losses on individual securities from exceeding the income generated from the remainder of the portfolio.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. State law does not require, and the Agency does not have a policy for deposit custodial credit risk.

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE C: ACCOUNTS RECEIVABLE**

The following is a summary of the accounts receivable for the various grant programs as of September 30, 2017:

Grant	Amount
State of Michigan	
WIOA Administration PY17	\$ 26,960
WIOA Adult PY17	142,373
WIOA DW PY17	96,168
Regional Planning	22,200
AAS	1,006
SWAC	3,935
Defense Procurement FY17	34,821
Michigan Economic Development Corporation	6,726
Small Business Development Center PY17	32,977
WIOA Youth PY17	112,065
TAA Administration	15,944
Wagner-Peyser Employment Services PY15	47,208
Wagner-Peyser Employment Services PY14	46,616
Path GFGP	120,000
Michigan Economic Development Corporation Michigan Export	13,685
WIOA Incentive	898
Skilled Trades Training	41,367
Economic Development Administration 17/18	17,359
Transportation	55,271
Farm Financing MSU	29
Lifeways	450
MDOC	45,807
MI APP EX	11,404
	<u>\$ 895,269</u>

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE D: UNEARNED REVENUE**

The following is a summary of the unearned revenue for the various grant programs as of September 30, 2017:

Grant	Amount
SBDC Host Match 2017	\$ 27,396
Defense Procurement FY17	287
WIOA SWSC	15,000
Path/TANF	56,911
WIOA Admin PY17	23,374
WIOA Adult PY17	112,792
WIOA DW	68,773
RESEA WBT	5
MEDC DGG	35
MEDC CDC	52,427
WIOA Youth PY17	123,707
EDA 17/18	61
RR CJS	2
DTMB RPI	190
USDA	94,690
MDARD Wineries	1,850
Offender Success Comp. Planning	1,239
Other	40,891
	<u>\$ 619,630</u>

**NOTE E: OPERATING LEASES**

The Agency has entered into leases for vehicles, office equipment, and office space for Michigan Works! Service Centers. The leases are treated as operating leases since the Agency will not own the assets after all lease payments have been remitted. At September 30, 2017, total lease payments remaining were \$2,010,140. Lease expense of approximately \$669,541 was incurred for the year ended September 30, 2017.

The following is a summary of the minimum future operating lease payments for the Agency as of September 30, 2017:

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2018	\$ 501,648
2019	353,992
2020	355,876
2021	367,853
2022	252,756
Thereafter	<u>178,015</u>
	<u>\$ 2,010,140</u>

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE E: OPERATING LEASES - CONTINUED**

Significant details regarding outstanding operating leases are presented below:

Lease commitment for office space with Arissa, LLC; monthly rent payments of \$6,678 are required through December 31, 2021.	\$ 345,170
Lease commitment for office space with Jack VanTreese & Associates; average monthly rent payments of \$4,916 are required until August 31, 2025.	467,000
Lease commitment for Sharp copier with UniFi Equipment Lease; monthly lease payments of \$179 are required until August 31, 2019.	4,288
Lease commitment for Sharp copier with UniFi Equipment Lease; monthly lease payments of \$193 are required until September 30, 2019.	4,839
Lease commitment for office space with Auto-Owners Insurance; average monthly rent payments of \$18,105 are required until June 30, 2022.	1,031,980
Lease commitment for an automobile with Ford Credit; monthly lease payments of \$575 are required until December 2, 2018.	1,726
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$7,844 are required until February 28, 2018.	47,064
Lease commitment for office space with Oleson Foundation; monthly rent payments of \$17,604 are required until February 28, 2018.	105,624
Lease commitment for Sharp copier with UniFi Equipment Lease; monthly lease payments of \$102 are required until September 30, 2019.	<u>2,449</u>
	<u>\$ 2,010,140</u>

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Governmental Activities				
Capital assets being depreciated:				
Equipment	\$ 73,303	\$ -	\$ -	\$ 73,303
Vehicles	<u>698,565</u>	<u>50,367</u>	<u>( 102,495 )</u>	<u>646,437</u>
Total capital assets being depreciated	771,868	50,367	( 102,495 )	719,740
Less accumulated depreciation for:				
Equipment	( 57,847 )	( 3,500 )	-	( 61,347 )
Vehicles	<u>( 673,955 )</u>	<u>( 15,467 )</u>	<u>102,495</u>	<u>( 586,927 )</u>
Total accumulated depreciation	<u>( 731,802 )</u>	<u>( 18,967 )</u>	<u>102,495</u>	<u>( 648,274 )</u>
Total capital assets, net	<u>\$ 40,066</u>	<u>\$ 31,400</u>	<u>\$ -0-</u>	<u>\$ 71,466</u>

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE F: CAPITAL ASSETS - CONTINUED**

Depreciation for the fiscal year ended September 30, 2017, was \$18,967. The Agency determined that it was unrealistic to allocate depreciation to the various governmental activities as the assets serve multiple functions. It appears on the Statement of Activities as unallocated.

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations for the Agency for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 344,904	\$ 137,845	\$ 115,170	\$ 367,579	\$ 110,274

Significant details regarding outstanding long-term debt (including current portions) are presented below:

**Compensated Absences**

Vacation pay owed to employees, which includes an allowance for Medicare expenses.	\$ 136,053
Terminal leave pay for accumulated sick leave owed to employees, which includes an allowance for Medicare expenses.	<u>231,526</u>
	<u>\$ 367,579</u>

**NOTE H: INTERFUND TRANSFERS**

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

Transfer to nonmajor governmental funds from:	
Regional Planning Fund	\$ 2,393
Nonmajor governmental funds	<u>7,015</u>
	<u>\$ 9,408</u>

**NOTE I: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at September 30, 2017, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 173,406</u>
Due to Regional Planning Fund from:	
Nonmajor governmental funds	<u>\$ 385,372</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 94,798</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE I: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE J: EMPLOYEE RETIREMENT PLANS**

The Agency has a retirement plan administered by Nationwide Insurance Company. It is a defined contribution retirement plan which provides benefits for all employees with immediate and complete vesting. The Agency contributes an amount equal to 8%, 10%, and 12% of gross wages, which fulfills the Agency's obligation under the plan. Therefore, there are no unfunded liabilities related to the plan. For the year ended September 30, 2017, the Agency had a total and covered payroll of \$1,970,483. Employer and employee contributions to the plan for the year ended September 30, 2017 amounted to \$290,322 and \$89,310, respectively.

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting Governmental Fund Type Definitions*, established fund balance classifications that comprise of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee.

*Unassigned* - all other sources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the Agency'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 do not lapse at year end.

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



NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

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

	General Fund	Regional Planning	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable:				
Prepays	\$ 61,980	\$ 500	\$ 29,482	\$ 91,962
Restricted for:				
Regional Planning	-	327,975	-	327,975
PTAC Match	-	-	6,095	6,095
MEDC Michigan Export	-	-	2,418	2,418
Rotary	-	-	20,474	20,474
TTCI Local	-	-	20,501	20,501
Arts Rotary	-	-	7,672	7,672
Farmer IDA Program	-	-	134	134
Lifeways	-	-	24,924	24,924
Networks Northwest	-	-	198	198
ETC Mich Works	-	-	4,856	4,856
Communications	-	-	19,498	19,498
Unassigned	751,780	-	(29,482)	722,298
 TOTAL FUND BALANCES	 \$ 813,760	 \$ 328,475	 \$ 106,770	 \$ 1,249,005

**NOTE L: RELIANCE ON FUNDING SOURCES**

The Agency receives all of its support from various federal, state, and local grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on the Agency's programs and activities.

**NOTE M: CONTRACT COMMITMENTS**

The Agency has contracts with various subcontractors to provide services under SBDC, EDA, Employment Services, Defense Procurement, RESEA, Adult Ed, DOL, DEQ, and WIA/WIOA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2017, totaled \$2,334,936. The funding sources had sufficient grant amounts available to cover the commitments.

**NOTE N: RISK MANAGEMENT**

The Agency is exposed to various risks of loss including general and automobile liability, property damage, employee dishonesty, and workers' compensation for which the Agency carries commercial insurance. There has been no indication of amounts of settlements that have exceeded insurance coverage for each of the past three (3) years.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Networks Northwest

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Rent	\$ -	\$ -	\$ 749,579	\$ 749,579
Interest earned	-	-	21,659	21,659
Net (loss) on fair value of investments	-	-	(19,063)	(19,063)
Other	-	-	10,091	10,091
TOTAL REVENUES	220,936	812,231	762,266	(49,965)
EXPENDITURES				
Services	220,936	812,231	770,733	41,498
NET CHANGE IN FUND BALANCE	-0-	-0-	(8,467)	(8,467)
Fund balance, beginning of year	822,227	822,227	822,227	-0-
Fund balance, end of year	<u>\$ 822,227</u>	<u>\$ 822,227</u>	<u>\$ 813,760</u>	<u>\$ (8,467)</u>

Networks Northwest

Regional Planning

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Other local sources	\$ 375,000	\$ 271,305	\$ 147,061	\$ (124,244)
EXPENDITURES				
Services	<u>375,000</u>	<u>271,305</u>	<u>271,305</u>	<u>-0-</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(124,244)	(124,244)
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,393)</u>	<u>(2,393)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(126,637)	(126,637)
Fund balance, beginning of year	<u>455,112</u>	<u>455,112</u>	<u>455,112</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 455,112</u>	<u>\$ 455,112</u>	<u>\$ 328,475</u>	<u>\$ (126,637)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2017

	WIOA Administration PY16	WIOA Adult PY16	WIOA DW PY16
ASSETS			
Cash	\$ -	\$ -	\$ -
Accounts receivable			
State of Michigan	26,960	142,373	96,168
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 26,960</u>	<u>\$ 142,373</u>	<u>\$ 96,168</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ 1
Other	-	-	-
Due to other funds	26,960	142,373	96,167
Unearned revenue	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	26,960	142,373	96,168
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,960</u>	<u>\$ 142,373</u>	<u>\$ 96,168</u>

AAS	SWAC	DW SP NEG	Defense Procurement FY17	MEDC	SBDC Host Match PY17
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,006	3,935	-	34,821	6,726	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,006</u>	<u>\$ 3,935</u>	<u>\$ -0-</u>	<u>\$ 34,821</u>	<u>\$ 6,726</u>	<u>\$ -0-</u>
\$ 870	\$ 666	\$ -	\$ -	\$ -	\$ -
-	2,026	-	97	1,035	-
136	1,243	-	34,724	5,691	-
-	-	-	-	-	-
1,006	3,935	-0-	34,821	6,726	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 1,006</u>	<u>\$ 3,935</u>	<u>\$ -0-</u>	<u>\$ 34,821</u>	<u>\$ 6,726</u>	<u>\$ -0-</u>



Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	SBDC Host Match PY17	SBDC PY16	Defense Procurement FY16
<b>ASSETS</b>			
Cash	\$ 29,266	\$ -	\$ 24,185
Accounts receivable			
State of Michigan	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 29,266</b>	<b>\$ -0-</b>	<b>\$ 24,185</b>
<b>LIABILITIES</b>			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	1,870	-	23,898
Due to other funds	-	-	-
Unearned revenue	27,396	-	287
<b>TOTAL LIABILITIES</b>	<b>29,266</b>	<b>-0-</b>	<b>24,185</b>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 29,266</b>	<b>\$ -0-</b>	<b>\$ 24,185</b>

PTAC Match	WIOA SWSC	SBDC PY17	WIOA Youth PY16	TAA Admin	WP Emp Svc PY17
\$ 6,095	\$ 15,000	\$ -	\$ -	\$ -	\$ -
-	-	32,977	112,065	15,944	47,208
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,095</u>	<u>\$ 15,000</u>	<u>\$ 32,977</u>	<u>\$ 112,065</u>	<u>\$ 15,944</u>	<u>\$ 47,208</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
-	-	3,433	-	14,989	324
-	-	29,544	112,065	955	11,884
-	15,000	-	-	-	-
-0-	15,000	32,977	112,065	15,944	47,208
-	-	-	-	-	-
6,095	-	-	-	-	-
-	-	-	-	-	-
<u>6,095</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,095</u>	<u>\$ 15,000</u>	<u>\$ 32,977</u>	<u>\$ 112,065</u>	<u>\$ 15,944</u>	<u>\$ 47,208</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	WP Emp Svc PY16	Path TANF	Path Support Services
ASSETS			
Cash	\$ -	\$ 56,911	\$ 8
Accounts receivable			
State of Michigan	46,616	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 46,616</u>	<u>\$ 56,911</u>	<u>\$ 8</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	-	-	8
Due to other funds	46,616	-	-
Unearned revenue	-	56,911	-
TOTAL LIABILITIES	46,616	56,911	8
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,616</u>	<u>\$ 56,911</u>	<u>\$ 8</u>

Path GFGP	GHMWW	WIOA SW	WIOA Admin PY17	WIOA Adult PY17	WIOA DW PY17
\$ -	\$ 24,231	\$ -	\$ 23,374	\$ 151,533	\$ 69,068
120,000	-	-	-	-	-
-	-	-	-	-	-
1	-	-	-	-	-
-	-	-	-	-	29,482
<u>\$ 120,001</u>	<u>\$ 24,231</u>	<u>\$ -0-</u>	<u>\$ 23,374</u>	<u>\$ 151,533</u>	<u>\$ 98,550</u>
\$ 79,112	\$ 2,254	\$ -	\$ -	\$ 38,741	\$ 29,777
-	21,977	-	-	-	-
40,889	-	-	-	-	-
-	-	-	23,374	112,792	68,773
120,001	24,231	-0-	23,374	151,533	98,550
-	-	-	-	-	29,482
-	-	-	-	-	-
-	-	-	-	-	(29,482)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 120,001</u>	<u>\$ 24,231</u>	<u>\$ -0-</u>	<u>\$ 23,374</u>	<u>\$ 151,533</u>	<u>\$ 98,550</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	RESEA WBT for Special Populations	RESEA	RESEA WBT
ASSETS			
Cash	\$ -	\$ -	\$ 5
Accounts receivable			
State of Michigan	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	5
	<u>-</u>	<u>-</u>	<u>5</u>
TOTAL LIABILITIES	-0-	-0-	5
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5</u>

MEDC DGG	SBA Export	MEDC Michigan Export	MEDC CDC	WIOA SWA	WIOA RR
\$ 5,222	\$ -	\$ -	\$ 64,200	\$ -	\$ -
-	-	13,685	-	898	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,222</u>	<u>\$ -0-</u>	<u>\$ 13,685</u>	<u>\$ 64,200</u>	<u>\$ 898</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ 4,625	\$ -	\$ -
5,187	-	1,478	7,148	-	-
-	-	9,789	-	898	-
35	-	-	52,427	-	-
5,222	-0-	11,267	64,200	898	-0-
-	-	-	-	-	-
-	-	2,418	-	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>2,418</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 5,222</u>	<u>\$ -0-</u>	<u>\$ 13,685</u>	<u>\$ 64,200</u>	<u>\$ 898</u>	<u>\$ -0-</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	JMG	Skilled Trades Training	WIOA SWCB
ASSETS			
Cash	\$ 15,634	\$ 15,234	\$ 22,322
Accounts receivable			
State of Michigan	-	41,367	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
			-
TOTAL ASSETS	<u>\$ 15,634</u>	<u>\$ 56,601</u>	<u>\$ 22,322</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ 15,634	\$ -	\$ -
Other	-	56,601	22,322
Due to other funds	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	15,634	56,601	22,322
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,634</u>	<u>\$ 56,601</u>	<u>\$ 22,322</u>

WIOA Youth PY17	EDA 16/17	EDA 17/18	Rotary	MAT2
\$ 63,525	\$ 61	\$ -	\$ 20,474	\$ 5,000
-	-	17,359	-	-
-	-	-	-	-
94,797	-	-	-	-
-	-	-	-	-
<u>\$ 158,322</u>	<u>\$ 61</u>	<u>\$ 17,359</u>	<u>\$ 20,474</u>	<u>\$ 5,000</u>
\$ 34,615	\$ -	\$ -	\$ -	\$ -
-	-	37	-	5,000
-	-	17,322	-	-
123,707	61	-	-	-
<u>158,322</u>	<u>61</u>	<u>17,359</u>	<u>-0-</u>	<u>5,000</u>
-	-	-	-	-
-	-	-	20,474	-
-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,474</u>	<u>-0-</u>
<u>\$ 158,322</u>	<u>\$ 61</u>	<u>\$ 17,359</u>	<u>\$ 20,474</u>	<u>\$ 5,000</u>



Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	Adult Ed FY16	Adult Ed FY17	RR CJS
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ 2
Accounts receivable			
State of Michigan	-	-	-
Other	36,349	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 36,349</u>	<u>\$ -0-</u>	<u>\$ 2</u>
<b>LIABILITIES</b>			
Accounts payable			
NW Michigan Works!	\$ 34,537	\$ -	\$ -
Other	-	-	-
Due to other funds	1,812	-	-
Unearned revenue	-	-	2
	<u>-</u>	<u>-</u>	<u>2</u>
<b>TOTAL LIABILITIES</b>	36,349	-0-	2
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 36,349</u>	<u>\$ -0-</u>	<u>\$ 2</u>

<u>DTMB RPI 2016</u>	<u>TTCI Local</u>	<u>Transportation</u>	<u>DTMB RPI 2017</u>	<u>10 Cents A Meal</u>	<u>CZM</u>
\$ 190	\$ 20,505	\$ -	\$ 95,458	\$ 4,369	\$ -
-	-	55,271	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 190</u>	<u>\$ 20,505</u>	<u>\$ 55,271</u>	<u>\$ 95,458</u>	<u>\$ 4,369</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4	6,822	768	4,369	-
-	-	48,449	-	-	-
<u>190</u>	<u>-</u>	<u>-</u>	<u>94,690</u>	<u>-</u>	<u>-</u>
190	4	55,271	95,458	4,369	-0-
-	-	-	-	-	-
-	20,501	-	-	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>20,501</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 190</u>	<u>\$ 20,505</u>	<u>\$ 55,271</u>	<u>\$ 95,458</u>	<u>\$ 4,369</u>	<u>\$ -0-</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	Arts Rotary	Farm Financing MSU	MDARD Wineries
ASSETS			
Cash	\$ 8,984	\$ 73	\$ 2,649
Accounts receivable			
State of Michigan	-	29	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 8,984</u>	<u>\$ 102</u>	<u>\$ 2,649</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	1,312	102	799
Due to other funds	-	-	-
Unearned revenue	-	-	1,850
TOTAL LIABILITIES	1,312	102	2,649
FUND BALANCES			
Nonspendable	-	-	-
Restricted	7,672	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>7,672</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,984</u>	<u>\$ 102</u>	<u>\$ 2,649</u>

Farmer IDA Program	OS	Lifeways	MDOC OS	MI APP EX	Networks Northwest
\$ 236	\$ 1,239	\$ 26,744	\$ -	\$ -	\$ 198
-	-	450	45,807	11,404	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 236</u>	<u>\$ 1,239</u>	<u>\$ 27,194</u>	<u>\$ 45,807</u>	<u>\$ 11,404</u>	<u>\$ 198</u>
\$ -	\$ -	\$ 800	\$ 17,475	\$ 1,850	\$ -
102	-	1,470	11,827	-	-
-	-	-	16,505	9,554	-
-	1,239	-	-	-	-
102	1,239	2,270	45,807	11,404	-0-
-	-	-	-	-	-
134	-	24,924	-	-	198
-	-	-	-	-	-
134	-0-	24,924	-0-	-0-	198
<u>\$ 236</u>	<u>\$ 1,239</u>	<u>\$ 27,194</u>	<u>\$ 45,807</u>	<u>\$ 11,404</u>	<u>\$ 198</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2017

	Pass Through MRS	ETC Mich Works	Communications
ASSETS			
Cash	\$ -	\$ 5,106	\$ 19,498
Accounts receivable			
State of Michigan	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 5,106</u>	<u>\$ 19,498</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	-	250	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-0-	250	-0-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	4,856	19,498
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>4,856</u>	<u>19,498</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 5,106</u>	<u>\$ 19,498</u>

Business Services		Total
\$	-	\$ 796,599
	-	873,069
	-	36,349
	-	94,798
	-	29,482
<hr/>		<hr/>
\$	-0-	\$ 1,830,297
<hr/>		<hr/>

\$	-	\$ 295,957
	-	195,255
	-	653,576
	-	578,739
<hr/>		<hr/>

-0- 1,723,527

	-	29,482
	-	106,770
	-	(29,482)
<hr/>		<hr/>

-0- 106,770

\$	-0-	\$ 1,830,297
<hr/>		<hr/>

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2017

	WIOA Administration PY16	WIOA Adult PY16	WIOA DW PY16
REVENUES			
Grants			
Federal	\$ 231,706	\$ 912,786	\$ 874,355
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	231,706	912,786	874,355
EXPENDITURES			
Administration	231,706	-	-
Training	-	548,640	867,938
Services	-	-	-
Intensive	-	281,822	-
Core services	-	82,324	6,417
Procurement	-	-	-
TOTAL EXPENDITURES	231,706	912,786	874,355
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

AAS	SWAC	DW SP NEG	Defense Procurement FY17	MEDC	SBDC Host Match PY17
\$ 5,330	\$ 10,935	\$ 351,786	\$ 34,821	\$ -	\$ -
-	-	-	-	189,548	-
-	-	-	-	452	7,192
5,330	10,935	351,786	34,821	190,000	7,192
-	-	27,198	-	-	-
5,330	10,935	223,911	-	-	-
-	-	100,677	-	190,000	16,831
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	34,821	-	-
5,330	10,935	351,786	34,821	190,000	16,831
-0-	-0-	-0-	-0-	-0-	(9,639)
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	(9,639)
-	-	-	-	-	9,639
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-



Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	SBDC Host Match PY17	SBDC PY16	Defense Procurement FY16
REVENUES			
Grants			
Federal	\$ -	\$ 42,286	\$ 256,566
State	-	-	-
Other local sources	18,217	-	-
	<u>18,217</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	18,217	42,286	256,566
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	18,217	37,443	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	256,566
	<u>-</u>	<u>-</u>	<u>256,566</u>
TOTAL EXPENDITURES	<u>18,217</u>	<u>37,443</u>	<u>256,566</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	4,843	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(4,843)	-
	<u>-</u>	<u>(4,843)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>(4,843)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

PTAC Match	WIOA SWSC	SBDC PY17	WIOA Youth PY16	TAA Admin	WP Emp Svc PY17
\$ -	\$ -	\$ 138,455	\$ 474,878	\$ 101,943	\$ 217,815
-	-	-	-	-	-
38,900	-	8,007	-	-	-
38,900	-0-	146,462	474,878	101,943	217,815
-	-	-	-	2,909	-
-	-	-	-	58,181	-
39,295	-	151,305	474,878	40,853	217,815
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,295	-0-	151,305	474,878	101,943	217,815
(395)	-0-	(4,843)	-0-	-0-	-0-
-	-	4,843	-	-	-
-	-	-	-	-	-
-0-	-0-	4,843	-0-	-0-	-0-
(395)	-0-	-0-	-0-	-0-	-0-
6,490	-	-	-	-	-
\$ 6,095	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	WP Emp Svc PY16	Path TANF	Path Support Services
REVENUES			
Grants			
Federal	\$ 335,664	\$ 710,757	\$ 13,300
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	335,664	710,757	13,300
EXPENDITURES			
Administration	-	67,084	-
Training	-	-	-
Services	335,664	643,673	13,300
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	335,664	710,757	13,300
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

Path GFGP	GHMWW	WIOA SW	WIOA Admin PY17	WIOA Adult PY17	WIOA DW PY17
\$ -	\$ -	\$ 59,077	\$ 67,244	\$ 191,346	\$ 195,452
240,683	80,000	-	-	-	-
-	-	-	-	-	-
240,683	80,000	59,077	67,244	191,346	195,452
13,907	-	-	67,244	-	-
-	-	-	-	81,868	83,865
226,776	80,000	59,077	-	109,478	111,587
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
240,683	80,000	59,077	67,244	191,346	195,452
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	RESEA WBT for Special Populations	RESEA	RESEA WBT
REVENUES			
Grants			
Federal	\$ 17,463	\$ 34,118	\$ 18,263
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	17,463	34,118	18,263
EXPENDITURES			
Administration	1,464	-	-
Training	12,564	-	11,995
Services	3,435	34,118	6,268
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	17,463	34,118	18,263
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

MEDC DGG	SBA Export	MEDC Michigan Export	MEDC CDC	WIOA SWA	WIOA RR
\$ -	\$ -	\$ -	\$ -	\$ 22,398	\$ 2,572
9,965	20,748	57,404	52,212	-	-
-	-	-	-	-	-
9,965	20,748	57,404	52,212	22,398	2,572
-	-	-	-	-	-
-	-	-	54,384	-	-
9,965	18,576	59,683	-	22,398	2,572
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,965	18,576	59,683	54,384	22,398	2,572
-0-	2,172	(2,279)	(2,172)	-0-	-0-
-	-	-	2,172	-	-
-	(2,172)	-	-	-	-
-0-	(2,172)	-0-	2,172	-0-	-0-
-0-	-0-	(2,279)	-0-	-0-	-0-
-	-	4,697	-	-	-
\$ -0-	\$ -0-	\$ 2,418	\$ -0-	\$ -0-	\$ -0-

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	JMG	Skilled Trades Training	WIOA SWCB
REVENUES			
Grants			
Federal	\$ 157,451	\$ -	\$ 22,322
State	-	554,744	-
Other local sources	-	-	-
TOTAL REVENUES	157,451	554,744	22,322
EXPENDITURES			
Administration	3,200	-	-
Training	-	-	-
Services	154,251	554,744	22,322
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	157,451	554,744	22,322
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

WIOA Youth PY17	EDA 16/17	EDA 17/18	Rotary	MAT2
\$ 177,472	\$ 27,710	\$ 17,359	\$ -	\$ -
-	-	-	-	42,000
-	91,884	-	35,000	-
177,472	119,594	17,359	35,000	42,000
-	-	-	-	-
-	-	-	-	-
177,472	119,594	17,359	54,526	42,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
177,472	119,594	17,359	54,526	42,000
-0-	-0-	-0-	(19,526)	-0-
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	(19,526)	-0-
-	-	-	40,000	-
\$ -0-	\$ -0-	\$ -0-	\$ 20,474	\$ -0-



Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	Adult Ed FY16	Adult Ed FY17	RR CJS
REVENUES			
Grants			
Federal	\$ 36,349	\$ 109,462	\$ -
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	36,349	109,462	-0-
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	36,349	109,462	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	36,349	109,462	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

<u>DTMB RPI 2016</u>	<u>TTCI Local</u>	<u>Transportation</u>	<u>DTMB RPI 2017</u>	<u>10 Cents A Meal</u>	<u>CZM</u>
\$ -	\$ -	\$ 39,800	\$ -	\$ -	\$ -
-	-	110,266	311,618	-	-
<u>111,790</u>	<u>51,684</u>	<u>-</u>	<u>-</u>	<u>161,894</u>	<u>35,281</u>
111,790	51,684	150,066	311,618	161,894	35,281
-	-	-	-	-	-
-	-	-	-	-	-
111,790	31,183	150,066	311,618	161,894	37,674
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>111,790</u>	<u>31,183</u>	<u>150,066</u>	<u>311,618</u>	<u>161,894</u>	<u>37,674</u>
-0-	20,501	-0-	-0-	-0-	(2,393)
-	-	-	-	-	2,393
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,393</u>
-0-	20,501	-0-	-0-	-0-	-0-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -0-</u>	<u>\$ 20,501</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	Arts Rotary	Farm Financing MSU	MDARD Wineries
REVENUES			
Grants			
Federal	\$ -	\$ -	\$ -
State	-	11,472	2,632
Other local sources	10,974	-	-
TOTAL REVENUES	10,974	11,472	2,632
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	3,302	11,472	2,632
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	3,302	11,472	2,632
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,672	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	7,672	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ 7,672	\$ -0-	\$ -0-

Farmer IDA Program	OS	Lifeways	MDOC OS	MI APP EX	Networks Northwest
\$ -	\$ -	\$ -	\$ -	\$ 26,850	\$ -
-	268,642	-	408,572	-	-
-	-	27,626	-	-	-
-0-	268,642	27,626	408,572	26,850	-0-
-	-	-	-	-	-
-	-	-	-	-	-
706	268,642	10,824	408,572	26,850	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
706	268,642	10,824	408,572	26,850	-0-
(706)	-0-	16,802	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
(706)	-0-	16,802	-0-	-0-	-0-
840	-	8,122	-	-	198
\$ 134	\$ -0-	\$ 24,924	\$ -0-	\$ -0-	\$ 198

Networks Northwest

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2017

	Pass Through MRS	ETC Mich Works	Communications
REVENUES			
Grants			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Other local sources	12,150	-	1,000
TOTAL REVENUES	12,150	-0-	1,000
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	12,150	250	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	12,150	250	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(250)	1,000
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	(250)	1,000
Fund balances, beginning of year	-	5,106	18,498
Fund balances, end of year	\$ -0-	\$ 4,856	\$ 19,498

Business Services	Total
\$ -	\$ 5,936,091
-	2,360,506
8,926	620,977
8,926	8,917,574
-	414,712
-	1,959,611
15,340	5,876,928
-	281,822
-	88,741
-	291,387
15,340	8,913,201
(6,414)	4,373
-	9,408
-	(7,015)
-0-	2,393
(6,414)	6,766
6,414	100,004
\$ -0-	\$ 106,770

Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF COMMERCE			
Passed through the Economic Development Administration	11.302		
Economic Development - Support for Planning Organizations			
District Continuation Grant 17/18		\$ 17,359	\$ -
District Continuation Grant 16/17		27,710	-
		45,069	-0-
U.S. DEPARTMENT OF DEFENSE			
Passed through the Defense Logistics Agency	12.002		
Procurement - Technical Assistance FY17		34,821	-
Procurement - Technical Assistance FY16		256,566	-
		291,387	-0-
U.S. DEPARTMENT OF LABOR			
Passed through State of Michigan Workforce Development Agency			
Registered Apprenticeship			
USA State Expansion Grant	17.201	26,850	22,850
Employment Services	17.207		
PY15		211,124	-
PY16		342,355	-
		553,479	-0-
Unemployment Insurance	17.225		
RESEA Work Based Training		18,263	-
Work Based Training for Special Populations		17,463	-
RESEA		34,118	-
		69,844	-0-
TAA/NAFTA	17.245		
Trade Act Case Management		101,943	-
WIA/WIOA Adult Program	17.258 <sup>(1)(2)</sup>		
Adult			
PY15		99,513	80,103
PY16		940,138	760,614
PY17		64,481	48,054
Administration <sup>(3)</sup>			
PY15		14,666	-
PY16		69,493	-
PY17		2,537	-
SWA-WIOA		6,496	-
SWA - Capacity Building <sup>(4)</sup>		6,473	-
SWA - Service Center <sup>(4)</sup>		17,132	-
WDA - One Stop <sup>(4)</sup>		746	-
		1,221,675	888,771

Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF LABOR - CONTINUED			
Passed through State of Michigan Workforce Development Agency - continued			
WIA/WIOA Youth Activities	17.259 <sup>(1)(2)</sup>		
Youth			
PY16		\$ 614,260	\$ 477,735
PY17		38,090	23,526
Administration <sup>(3)</sup>			
PY15		16,183	-
PY16		76,682	-
PY17		2,799	-
SWA-WIOA		7,167	-
SWA - Capacity Building <sup>(4)</sup>		7,143	-
SWA - Service Center <sup>(4)</sup>		18,905	-
WDA - One Stop <sup>(4)</sup>		823	-
		<u>782,052</u>	<u>501,261</u>
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.278 <sup>(1)(2)</sup>		
Dislocated Worker			
PY15		382,818	356,008
PY16		573,740	471,887
PY17		113,249	78,393
Administration <sup>(3)</sup>			
PY15		19,723	-
PY16		93,456	-
PY17		3,411	-
SWA-WIOA		8,735	-
SWA - Capacity Building <sup>(4)</sup>		8,706	-
SWA - Service Center <sup>(4)</sup>		23,040	-
WDA - One Stop <sup>(4)</sup>		1,003	-
		<u>1,227,881</u>	<u>906,288</u>
PY16 WIOA SWA-Apprenticeship Success Coordinators	17.258, 17.259, 17.278 <sup>(1)(2)</sup>	10,935	10,692
Passed through Kinexus Group			
Jobs for Michigan Graduates	17.258, 17.259, 17.278 <sup>(1)(2)</sup>	<u>157,451</u>	<u>-</u>
TOTAL WIA/WIOA CLUSTER		3,399,994	2,307,012
Passed through State of Michigan Workforce Development Agency			
Workforce Investment Act - National Emergency Grant (NEG)	17.277		
Sector Partnership FY15		351,786	157,942
State Expansion Grant	17.285		
Apprenticeship Success Coordinators		<u>5,330</u>	<u>3,870</u>
TOTAL U.S. DEPARTMENT OF LABOR		4,509,226	2,491,674



Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan Department of Transportation Highway Planning and Construction	20.205	\$ 39,800	\$ -
U.S. SMALL BUSINESS ADMINISTRATION			
Passed through the Michigan SBDC Headquarters and Grand Valley State University SBDC Regional Center	59.037		
PY16		42,286	-
PY17		138,455	-
		180,741	-0-
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Michigan Department of Education	84.002		
Adult Education - Basic Grants to States		109,462	102,483
Adult Education - Basic Grants to States		36,349	34,537
Adult Education - Basic Grants to States		145,811	137,020
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Health and Human Services and State of Michigan Workforce Development Agency Temporary Assistance for Needy Families	93.558		
TANF PATH FY17		710,757	517,135
TANF PATH Supportive Services		13,300	-
		724,057	517,135
TOTAL FEDERAL AWARDS		\$ 5,936,091	\$ 3,145,829

(5)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

**NOTE A: BASIS OF PRESENTATION**

Networks Northwest (the Agency), as a governmental organization, reports on the modified accrual basis of accounting for financial statement presentation in accordance with accounting principles generally accepted in the United States of America.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Agency and 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). The Agency has elected not to use the 10 percent *de minimus* indirect rate allowed under the Uniform Guidance.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (1) - (5) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (1) Program is considered "major" program.
- (2) Denoted programs required to be clustered by the United States Department of Labor.
- (3) The Workforce Innovation and Opportunity Act administrative cost pool expenditures are allocated to funding sources based on percentages of allocations made from each funding source.
- (4) The Workforce Innovation and Opportunity Act Statewide Activities expenditures are allocated to funding sources based on percentages provided by the State of Michigan Workforce Development Agency.
- (5) Matches federal revenue on financial statements.



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 Board of Directors of  
Networks Northwest  
Traverse City, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Networks Northwest (the Agency), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 entity'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.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

May 4, 2018



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

To the Board of Directors of  
Networks Northwest  
Traverse City, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Networks Northwest's (the Agency's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Agency 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 September 30, 2017.

## Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

May 4, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   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 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258, 17.259, 17.278	Workforce Investment Act (WIA) and Workforce Innovation and Opportunity Act (WIOA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings**

No findings noted.

Networks Northwest

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2017

FINDINGS/NONCOMPLIANCE

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

2016-001 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the adjustment of beginning fund balance and accounts payable were proposed by the auditors.

Resolution: No material journal entries were proposed during the current year's audit as a result of audit procedures. We consider this matter resolved.

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

No findings noted.

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

No findings noted.