

**Networks Northwest
Traverse City, Michigan**

FINANCIAL STATEMENTS

September 30, 2016

Networks Northwest
Traverse City, Michigan
September 30, 2016

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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, 2016, 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, 2016, 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.

Change in Accounting Principle

As discussed in Note O to the financial statements, the Agency implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, this statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Our opinions are not modified with respect to this matter.

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 April 19, 2017, 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 19, 2017

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2016

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, 2016. 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, 2016 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, 2016. 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, 2016

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 7-22 of this report.

Financial Highlights

- The assets of the Agency exceeded its liabilities at September 30, 2016, by \$1,072,505 at the entity-wide level. Of this amount, \$1,032,439 (unrestricted net position) may be used to meet the Agency's ongoing obligations.
- The Agency's total net position decrease \$11,849 as a result of this period's operations.
- As of September 30, 2016, the Agency's governmental funds reported an ending fund balance of \$1,377,343, a decrease of \$24,135.
- As of September 30, 2016, the nonspendable fund balance was \$74,294, the restricted fund balance was \$540,780, and the unassigned fund balance was \$762,269.

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 \$1,072,505. The following table compares net position data for September 30, 2016 to net position data for the prior year September 30, 2015.

	2015	2016	Change 2015-2016
Current assets	\$ 2,283,863	\$ 2,298,346	\$ 14,483
Noncurrent assets	908,348	736,339	(172,009)
Capital assets	34,086	40,066	5,980
Total assets	3,226,297	3,074,751	(151,546)
Current liabilities	1,896,096	1,760,813	(135,283)
Noncurrent liabilities	245,847	241,433	(4,414)
Total liabilities	2,141,943	2,002,246	(139,697)
Net position			
Invested in capital assets	34,086	40,066	5,980
Unrestricted	1,050,268	477,323	(572,945)
Total net position	\$ 1,084,354	\$ 517,389	\$ (566,965)

Unrestricted net position (the part of net position that can be used to finance day to day operations) decreased by \$17,829. This represents a decrease of approximately 1.7 percent. The current level of unrestricted net position for our governmental activities stands at \$1,032,439, or approximately 10.1 percent of annual expenses.

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2016

The following table compares the changes in net assets for the year ended September 30, 2016 to changes in net assets for the year ended September 30, 2015.

	2015	2016
Program revenues		
Operating grants and other/contributions	\$ 9,188,713	\$ 9,355,343
Charges for Services	683,357	850,180
General revenue		
Interest	25,748	24,475
(Losses) on investments	(5,335)	(8,317)
Other local sources	52,000	15,747
Total revenues	9,944,483	10,237,428
Program expenses	9,665,326	10,249,277
Change in net position	279,157	(11,849)
Restated net position, beginning of year	805,197	1,084,354
Net position, end of year	\$ 1,084,354	\$ 1,072,505

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 2016, the governmental funds reported an ending fund balance of \$1,377,343; a decrease of \$24,135 from the prior year. Of this total, \$74,294 is the nonspendable portion for prepaid expenditures, \$540,780 is restricted for various grants, and \$762,269 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 2016 represents approximately 13.42 percent of total fund expenditures, while unassigned fund balance represents approximately 7.43 percent of total expenditures.

Capital Assets and Debt Administration

Capital Assets:

The Agency's investment in capital assets as of September 30, 2016, amounts to \$40,066 (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, 2016 was \$344,904, and at September 30, 2015 was \$351,210.

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2016

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 a favorable variance of \$60,364 mainly due to less spending incurred in 2016 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 a favorable variance of \$242,150 mainly due to less spending incurred in 2016 in the general government activities.

Economic Factors

Networks Northwest expenditures increased by 9.2% from FY 15 to FY 16, marking the first increase in six years. The increase is primarily due to a large increase in State funding of 30.6%. Small and moderate increases occurred in Federal and Other funding, 2.6% and 11.5%, respectively.

State programs such as the Skilled Trades Training Fund and Regional Prosperity Initiative account for the increase. Federal funding decreases in Workforce Innovation and Opportunity Act (WIOA) Adult and Youth programs were offset by increases in Dislocated Worker and Wagner-Peyser Employment Services.

FY 16, when compared to the prior fiscal year, Federal funding as a percent of total funding lowered slightly from 74.3% to 69.8%, while funding from the State of Michigan increased from 22.6% of total to 27.1% of total, and funding from other sources nearly remained the same from 3.2% to 3.1% 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, 2016

	Primary Government <u>Governmental Activities</u>	Component <u>Unit</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 390,874	\$ 283,264
Investments	411,937	354,993
Accounts receivable		
NW Michigan Works!	10,984	-
Networks Northwest	-	840,596
State of Michigan	1,376,625	-
Other	33,632	29,374
Prepays	<u>74,294</u>	<u>7,588</u>
Total current assets	2,298,346	1,515,815
Noncurrent assets		
Investments	736,339	107,455
Capital assets, net of accumulated depreciation	<u>40,066</u>	<u>-</u>
Total noncurrent assets	<u>776,405</u>	<u>107,455</u>
TOTAL ASSETS	3,074,751	1,623,270
LIABILITIES		
Current liabilities		
Accounts payable		
NW Michigan Works!	840,596	-
Other	424,375	86,937
Accrued wages	74,363	233,723
Unearned revenue	318,008	38,451
Compensated absences - current portion	<u>103,471</u>	<u>-</u>
Total current liabilities	1,760,813	359,111
Noncurrent liabilities		
Compensated absences - noncurrent portion	<u>241,433</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,002,246</u>	<u>359,111</u>
NET POSITION		
Investment in capital assets	40,066	-
Restricted	555,116	-
Unrestricted	<u>477,323</u>	<u>1,264,159</u>
TOTAL NET POSITION	<u>\$ 1,072,505</u>	<u>\$ 1,264,159</u>

See accompanying notes to the financial statements.

Networks Northwest

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

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	\$ 413,724	\$ -	\$ 437,527	\$ 23,803	\$ -
Training	1,499,629	-	1,499,629	-	-
Services	7,802,174	850,180	6,895,954	(56,040)	-
Intensive	145,063	-	145,063	-	-
Core services	86,918	-	86,918	-	-
Procurement	290,252	-	290,252	-	-
Unallocated depreciation	11,517	-	-	(11,517)	-
Total governmental activities	<u>\$ 10,249,277</u>	<u>\$ 850,180</u>	<u>\$ 9,355,343</u>	(43,754)	-0-
Component unit					
Northwest Michigan Works! Inc.	<u>\$ 4,279,657</u>	<u>\$ -</u>	<u>\$ 4,309,598</u>	-	29,941
GENERAL REVENUES					
Investment earnings				16,158	23,786
Other local sources				<u>15,747</u>	<u>-</u>
Total general revenues				<u>31,905</u>	<u>23,786</u>
Change in net position				(11,849)	53,727
Net position, beginning of year				<u>1,084,354</u>	<u>1,210,432</u>
Net position, end of year				<u>\$ 1,072,505</u>	<u>\$ 1,264,159</u>

See accompanying notes to the financial statements.

Networks Northwest

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2016

	General	Regional Planning	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,328	\$ -	\$ 372,546	\$ 390,874
Investments	1,148,276	-	-	1,148,276
Accounts receivable				
NW Michigan Works!	-	-	10,984	10,984
State of Michigan	-	-	1,376,625	1,376,625
Other	9,045	-	24,587	33,632
Due from other funds	157,395	454,745	137,589	749,729
Prepays	72,008	998	1,288	74,294
TOTAL ASSETS	<u>\$ 1,405,052</u>	<u>\$ 455,743</u>	<u>\$ 1,923,619</u>	<u>\$ 3,784,414</u>
LIABILITIES				
Accounts payable				
NW Michigan Works!	\$ 441,127	\$ -	\$ 399,469	\$ 840,596
Other	67,335	631	356,409	424,375
Accrued wages	74,363	-	-	74,363
Due to other funds	-	-	749,729	749,729
Unearned revenue	-	-	318,008	318,008
TOTAL LIABILITIES	582,825	631	1,823,615	2,407,071
FUND BALANCES				
Nonspendable	72,008	998	1,288	74,294
Restricted	-	455,112	100,004	555,116
Unassigned	750,219	(998)	(1,288)	747,933
TOTAL FUND BALANCES	<u>822,227</u>	<u>455,112</u>	<u>100,004</u>	<u>1,377,343</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 1,405,052</u>	<u>\$ 455,743</u>	<u>\$ 1,923,619</u>	<u>\$ 3,784,414</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, 2016

Total fund balance - governmental funds **\$ 1,377,343**

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	\$ 771,868	
Accumulated depreciation is	<u>(731,802)</u>	
		40,066

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>(344,904)</u>
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Net position of governmental activities **\$ 1,072,505**

Networks Northwest

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

Year ended September 30, 2016

	General	Regional Planning	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Grants				
Federal	\$ -	\$ -	\$ 6,445,499	\$ 6,445,499
State	-	-	2,627,051	2,627,051
Rent	850,180	-	-	850,180
Interest earned	24,475	-	-	24,475
Net (loss) on fair value of investments	(8,317)	-	-	(8,317)
Other local sources	15,747	17,850	264,943	298,540
TOTAL REVENUES	882,085	17,850	9,337,493	10,237,428
EXPENDITURES				
Administration	-	-	437,527	437,527
Training	-	-	1,499,629	1,499,629
Services	913,182	37,710	6,851,282	7,802,174
Intensive	-	-	145,063	145,063
Core services	-	-	86,918	86,918
Procurement	-	-	290,252	290,252
TOTAL EXPENDITURES	913,182	37,710	9,310,671	10,261,563
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,097)	(19,860)	26,822	(24,135)
OTHER FINANCIAL SOURCES (USES)				
Transfers in	2,381	-	18,162	20,543
Transfers out	-	-	(20,543)	(20,543)
TOTAL OTHER FINANCING SOURCES (USES)	2,381	-0-	(2,381)	-0-
NET CHANGE IN FUND BALANCES	(28,716)	(19,860)	24,441	(24,135)
Fund balance, beginning of year	850,943	474,972	75,563	1,401,478
Fund balances, end of year	\$ 822,227	\$ 455,112	\$ 100,004	\$ 1,377,343

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, 2016

Net change in fund balances - total governmental funds **\$ (24,135)**

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	\$	17,497	
Depreciation expense		<u>(11,517)</u>	
Excess of capital outlay over depreciation expense			5,980

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

Decrease in accrued compensated absences		<u>6,306</u>
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Change in net position of governmental activities **\$ (11,849)**

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016 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, 2016

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	WIA	Workforce Investment 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, 2016

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

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
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, Cash Equivalents, 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 and cash equivalents consist of checking accounts and a money market account.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

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, 2016, compensated absences totaled \$344,904.

12. Governmental Grants

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

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016, 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	\$ 390,274	\$ 443,459
COMPONENT UNIT		
Checking	<u>282,489</u>	<u>285,404</u>
TOTAL REPORTING ENTITY	<u>\$ 672,763</u>	<u>\$ 1,877,139</u>

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, 2016, \$500,000 of the Agency's and component unit's bank balance was covered by the FDIC. The balance of \$1,377,139 was uninsured and uncollateralized. The Agency and component unit maintains a petty cash imprest amount of \$600, and \$775, respectively, which is included in cash on the balance sheet.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

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, 2016, 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	\$ -	\$ 37,618	\$ -	\$ 37,618
Mortgage and asset backed securities	-	1,110,658	-	1,110,658
	<u>\$ -0-</u>	<u>\$ 1,148,276</u>	<u>\$ -0-</u>	<u>\$ 1,148,276</u>

Component Unit

	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
Uncategorized pooled investments	\$ 14,738	\$ -	\$ -	\$ 14,738
Corporate bonds	200,915	-	-	200,915
Exchange traded funds	123,955	-	-	123,955
Mutual funds	122,840	-	-	122,840
	<u>\$ 462,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 462,448</u>

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 390,874	\$ 283,264	\$ 674,138
Investments - current	411,937	354,993	766,930
Investments - noncurrent	<u>736,339</u>	<u>107,455</u>	<u>843,794</u>
	<u>\$ 1,539,150</u>	<u>\$ 745,712</u>	<u>\$ 2,284,862</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, 2016, 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>< 1 year</u>	<u>1-10 years</u>
Mortgage and asset backed securities	<u>\$ 374,319</u>	<u>\$ 736,339</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.

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NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C: ACCOUNTS RECEIVABLE

The following is a summary of the accounts receivable for the various grant programs as of September 30, 2016:

Grant	Amount
State of Michigan	
WIA DW PY14	\$ 119,909
WIA Adult PY 14	10,000
WIA Dislocated Worker	44,314
Small Business Development Center 2014	43,388
Defense Procurement 14/15	42,547
WIA Youth 14/15	5,000
Trade	2,000
TAA Administration	21,031
Wagner-Peyser Employment Services PY15	12,040
Wagner-Peyser Employment Services PY14	31,474
Path TANF	134,368
GHMWW	41,530
WIOA SWA	11,277
WIOA Administration	39,583
WIOA SWA CB	156,250
WIOA Adult PY15	105,839
WIOA Dislocated Worker	37,426
RESEA WBT	58,000
SBA Export	27,936
Michigan Economic Development Corporation Michigan Export	22,730
JAG Jobs	12,332
Skilled Trades Training	91,387
WIA Youth PY15	65,638
Economic Development Administration 14/15	23,857
Adult Education 14/15	30,538
Transportation	44,333
MI Dept of Environmental Quality - Betsie River/Crystal Lake	8,200
Hazard Mitigation	39,100
CZM	24,712
Farm Financing MSU	13,650
Prisoner Reentry	48,412
Other	7,824
	<u>\$ 1,376,625</u>

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NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE D: UNEARNED REVENUE

The following is a summary of the unearned revenue for the various grant programs as of September 30, 2016:

Grant	Amount
WIA Administration PY14	\$ 46,081
WIA Adult PY14	63,993
MEDC	653
SBDC 2014	4,861
WIA Youth	4,450
MEDC Michigan Export	2,369
RR CJS	2
TC TALUS/LOCAL	36,684
DTMB RPI	111,980
Transportation	4,441
Farm Financing MSU	11,443
Wineries Michigan Development of Agriculture & Rural Development	4,483
Prisoner Reentry	1,239
Path/TANF	6
MEDC CDC	25,323
	<u>\$ 318,008</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, 2016, total lease payments remaining were \$1,485,561. Lease expense of approximately \$711,933 was incurred for the year ended September 30, 2016.

The following is a summary of the minimum future operating lease payments for the Agency as of September 30, 2016:

<u>Years Ending September 30,</u>	<u>Lease Contracts Payable</u>
2017	\$ 519,349
2018	235,944
2019	238,562
2020	191,625
2021	61,034
Thereafter	<u>239,047</u>
	<u>\$ 1,485,561</u>

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NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E: OPERATING LEASES - CONTINUED

Significant details regarding outstanding operating leases are presented below:

Lease commitment for office space with Arissa, LLC; monthly lease payments of \$7,098 are required until October 31, 2016.	\$ 7,098
Lease commitment for office space with Wexford County; monthly lease payments of \$5,144 are required until June 30, 2017.	46,296
Lease commitment for 2014 Ford Edge with Ford Credit; monthly lease payments of \$575 are required until December 31, 2017.	8,631
Lease commitment for office space with Auto-Owners; monthly lease payments of \$15,054 are required until June 30, 2020.	654,754
Lease commitment for copier with Unifledge; average monthly lease payments of \$179 are required until August 30, 2019.	6,431
Lease commitment for copier with Unifledge; average monthly lease payments of \$194 are required until September 30, 2019.	7,161
Lease commitment for office space with Oleson Foundation; monthly lease payments of \$7,844 are required until June 30, 2017.	70,596
Lease commitment for office space with VanTreese & Associates; monthly lease payments ranging from \$4,624 to \$5,086 are required until August 31, 2025.	522,485
Lease commitment for office space with Oleson Foundation; monthly lease payments of \$17,604 are required until June 30, 2017.	158,436
Lease commitment for copier with Unifledge; average monthly lease payments of \$102 are required until September 15, 2019.	<u>3,673</u>
	<u>\$ 1,485,561</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
Governmental Activities				
Capital assets being depreciated:				
Equipment	\$ 55,806	\$ 17,497	\$ -	\$ 73,303
Vehicles	<u>822,638</u>	<u>-</u>	<u>(124,073)</u>	<u>698,565</u>
Total capital assets being depreciated	878,444	17,497	(124,073)	771,868
Less accumulated depreciation for:				
Equipment	(55,806)	(2,041)	-	(57,847)
Vehicles	<u>(788,552)</u>	<u>(9,476)</u>	<u>124,073</u>	<u>(673,955)</u>
Total accumulated depreciation	<u>(844,358)</u>	<u>(11,517)</u>	<u>124,073</u>	<u>(731,802)</u>
Total capital assets, net	<u>\$ 34,086</u>	<u>\$ 5,980</u>	<u>\$ -0-</u>	<u>\$ 40,066</u>

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE F: CAPITAL ASSETS - CONTINUED

Depreciation for the fiscal year ended September 30, 2016, was \$11,517. 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, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 351,210	\$ 138,101	\$ 144,407	\$ 344,904	\$ 103,471

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.	\$ 133,481
Terminal leave pay for accumulated sick leave owed to employees, which includes an allowance for Medicare expenses.	211,423
	<u>\$ 344,904</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 General Fund from:	
Nonmajor governmental funds	<u>\$ 2,381</u>
Transfer to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 18,162</u>

NOTE I: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at September 30, 2016, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 157,395</u>
Due to Regional Planning Fund from:	
Nonmajor governmental funds	<u>\$ 454,745</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 137,589</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016, the Agency had a total and covered payroll of \$1,948,806. Employer and employee contributions to the plan for the year ended September 30, 2016 amounted to \$280,525 and \$72,311, 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.

Networks Northwest

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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	\$ 72,008	\$ 998	\$ 1,288	\$ 74,294
Restricted for:				
Regional Planning	-	455,112	-	455,112
Host Cash Match 2014	-	-	9,639	9,639
PTAC Match	-	-	6,490	6,490
MEDC Michigan Export	-	-	4,697	4,697
Rotary	-	-	40,000	40,000
Farmer IDA Program	-	-	840	840
Lifeways	-	-	8,122	8,122
Networks Northwest	-	-	198	198
ETC Mich Works	-	-	5,106	5,106
Communications	-	-	18,498	18,498
Loan Fund	-	-	6,414	6,414
Unassigned:	750,219	(998)	(1,288)	747,933
 TOTAL FUND BALANCES	 \$ 822,227	 \$ 455,112	 \$ 100,004	 \$ 1,377,343

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, Path GF/GP, Adult Ed, DOL, DEQ, and WIA/WIOA programs that are not completed and closed out until after year-end. Commitments outstanding at September 30, 2016, totaled \$4,261,694. 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, 2016

NOTE O: CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENT

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency's 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Networks Northwest

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Rent	\$ -	\$ -	\$ 850,180	\$ 850,180
Interest earned	-	-	24,475	24,475
Net (loss) on fair value of investments	-	-	(8,317)	(8,317)
Other	-	-	15,747	15,747
TOTAL REVENUES	217,412	984,546	882,085	(102,461)
EXPENDITURES				
Services	217,412	973,546	913,182	60,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	11,000	(31,097)	(42,097)
OTHER FINANCING SOURCES				
Transfers in	-	-	2,381	2,381
NET CHANGE IN FUND BALANCE	-0-	11,000	(28,716)	(39,716)
Fund balance, beginning of year	850,943	850,943	850,943	-0-
Fund balance, end of year	\$ 850,943	\$ 861,943	\$ 822,227	\$ (39,716)

Networks Northwest

Regional Planning

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Other local sources	\$ 225,000	\$ 260,000	\$ 17,850	\$ 242,150
EXPENDITURES				
Services	<u>225,000</u>	<u>260,000</u>	<u>37,710</u>	<u>222,290</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(19,860)	(19,860)
Fund balance, beginning of year	<u>474,972</u>	<u>474,972</u>	<u>474,972</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 474,972</u></u>	<u><u>\$ 474,972</u></u>	<u><u>\$ 455,112</u></u>	<u><u>\$ (19,860)</u></u>

OTHER SUPPLEMENTARY INFORMATION

Networks Northwest
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
September 30, 2016

	WIA Administration PY14	WIA Adult PY14	WIA DW PY14
ASSETS			
Cash and cash equivalents	\$ 46,081	\$ 98,929	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	-	10,000	119,909
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 46,081</u>	<u>\$ 108,929</u>	<u>\$ 119,909</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ 44,936	\$ 82,607
Other	-	-	-
Due to other funds	-	-	37,302
Unearned revenue	46,081	63,993	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	46,081	108,929	119,909
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>\$ 46,081</u>	<u>\$ 108,929</u>	<u>\$ 119,909</u>

JD NEG	WIA DW	WIA/AAR DW NEG 14/15	Defense Procurement 15/16	MEDC	Host Cash Match 2014
\$ 33,617	\$ -	\$ -	\$ 25,906	\$ -	\$ 3,466
-	-	-	-	-	-
-	44,314	-	-	1,499	-
-	-	-	-	-	6,250
-	-	-	-	-	-
-	-	-	-	123	-
<u>\$ 33,617</u>	<u>\$ 44,314</u>	<u>\$ -0-</u>	<u>\$ 25,906</u>	<u>\$ 1,622</u>	<u>\$ 9,716</u>
\$ 33,617	\$ 39,506	\$ -	\$ -	\$ -	\$ -
-	-	-	25,906	121	77
-	4,808	-	-	848	-
-	-	-	-	653	-
33,617	44,314	-0-	25,906	1,622	77
-	-	-	-	123	-
-	-	-	-	-	9,639
-	-	-	-	(123)	-
-0-	-0-	-0-	-0-	-0-	9,639
<u>\$ 33,617</u>	<u>\$ 44,314</u>	<u>\$ -0-</u>	<u>\$ 25,906</u>	<u>\$ 1,622</u>	<u>\$ 9,716</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	SBDC Host Match 2015	SBDC 2014	Defense Procurement 14/15
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	-	43,388	42,547
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	206	122
	<u>-</u>	<u>206</u>	<u>122</u>
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 43,594</u>	<u>\$ 42,669</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	-	150	111
Due to other funds	-	38,583	42,558
Unearned revenue	-	4,861	-
	<u>-</u>	<u>4,861</u>	<u>-</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>43,594</u>	<u>42,669</u>
FUND BALANCES			
Nonspendable	-	206	122
Restricted	-	-	-
Unassigned	-	(206)	(122)
	<u>-</u>	<u>(206)</u>	<u>(122)</u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 43,594</u>	<u>\$ 42,669</u>

<u>PTAC Match</u>	<u>SBDC 2015</u>	<u>WIA Youth PY14</u>	<u>Foster Care Summer Youth</u>	<u>SYEP Supportive Services</u>	<u>Trade</u>
\$ 6,827	\$ -	\$ 24,324	\$ -	\$ 778	\$ -
-	-	-	-	-	-
-	-	5,000	-	-	2,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,827</u>	<u>\$ -0-</u>	<u>\$ 29,324</u>	<u>\$ -0-</u>	<u>\$ 778</u>	<u>\$ 2,000</u>
\$ -	\$ -	\$ 24,874	\$ -	\$ -	\$ -
337	-	-	-	778	-
-	-	-	-	-	2,000
-	-	4,450	-	-	-
337	-0-	29,324	-0-	778	2,000
-	-	-	-	-	-
6,490	-	-	-	-	-
-	-	-	-	-	-
<u>6,490</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 6,827</u>	<u>\$ -0-</u>	<u>\$ 29,324</u>	<u>\$ -0-</u>	<u>\$ 778</u>	<u>\$ 2,000</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	TAA Admin	WP Emp Svc PY15	EUC RES Additional
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	21,031	12,040	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	36	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 21,067</u>	<u>\$ 12,040</u>	<u>\$ -0-</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	4,140	-	-
Due to other funds	16,927	12,040	-
Unearned revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	21,067	12,040	-0-
FUND BALANCES			
Nonspendable	36	-	-
Restricted	-	-	-
Unassigned	(36)	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,067</u>	<u>\$ 12,040</u>	<u>\$ -0-</u>

WP Emp Svc PY14	Path TANF	Path Support Services	Path GFGP	GHMWW	WIOA SW
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
31,474	134,368	-	1,284	41,530	11,277
342	-	-	-	-	-
-	-	-	-	-	-
36	-	-	-	-	-
<u>\$ 31,852</u>	<u>\$ 134,368</u>	<u>\$ -0-</u>	<u>\$ 1,284</u>	<u>\$ 41,530</u>	<u>\$ 11,277</u>
\$ -	\$ 101,402	\$ -	\$ -	\$ 7,879	\$ -
387	-	-	-	13,720	-
31,465	32,960	-	1,284	19,931	11,277
-	6	-	-	-	-
31,852	134,368	-0-	1,284	41,530	11,277
36	-	-	-	-	-
-	-	-	-	-	-
(36)	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
<u>\$ 31,852</u>	<u>\$ 134,368</u>	<u>\$ -0-</u>	<u>\$ 1,284</u>	<u>\$ 41,530</u>	<u>\$ 11,277</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	WIOA Admin PY15	WIOA Adult PY 15	WIOA DW PY15
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	39,583	105,839	37,426
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 39,583</u>	<u>\$ 105,839</u>	<u>\$ 37,426</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ 1,393
Other	-	-	-
Due to other funds	39,583	105,839	36,033
Unearned revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	39,583	105,839	37,426
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>\$ 39,583</u>	<u>\$ 105,839</u>	<u>\$ 37,426</u>

RESEA	RESEA WBT	SBA Export	MEDC Michigan Export	MEDC CDC	CB Trade
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	58,000	27,936	22,730	-	-
-	-	-	-	-	-
-	-	-	-	25,323	-
-	-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 58,000</u>	<u>\$ 27,936</u>	<u>\$ 22,730</u>	<u>\$ 25,323</u>	<u>\$ -0-</u>
\$ -	\$ -	\$ 10,875	\$ 344	\$ -	\$ -
-	17,125	4,181	2,848	-	-
-	40,875	12,880	12,472	-	-
-	-	-	2,369	25,323	-
-0-	58,000	27,936	18,033	25,323	-0-
-	-	-	-	-	-
-	-	-	4,697	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,697</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 58,000</u>	<u>\$ 27,936</u>	<u>\$ 22,730</u>	<u>\$ 25,323</u>	<u>\$ -0-</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	WIA Incentive	JAG Jobs	Skilled Trades Training
ASSETS			
Cash and cash equivalents	\$ -	\$ 6,033	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	-	12,332	91,387
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 18,365</u>	<u>\$ 91,387</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ 18,365	\$ -
Other	-	-	91,387
Due to other funds	-	-	-
Unearned revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	-0-	18,365	91,387
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>\$ 18,365</u>	<u>\$ 91,387</u>

WIOA SWCB	WIOA Youth PY15	EDA 14/15	EDA 15/16	Migrant	Food Stamps Support Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,000
156,250	65,638	23,857	-	-	1,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	565	-	-	-
<u>\$ 156,250</u>	<u>\$ 65,638</u>	<u>\$ 24,422</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,000</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
156,250	-	2,127	-	-	-
-	65,638	22,295	-	-	-
-	-	-	-	-	-
156,250	65,638	24,422	-0-	-0-	2,000
-	-	565	-	-	-
-	-	-	-	-	-
-	-	(565)	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 156,250</u>	<u>\$ 65,638</u>	<u>\$ 24,422</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,000</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	Food Assistance Employ & Train	HIP	Rotary
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 40,000
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	-	-	-
Other	1,061	16,898	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,061</u>	<u>\$ 16,898</u>	<u>\$ 40,000</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	-	6,750	-
Due to other funds	1,061	10,148	-
Unearned revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,061	16,898	-0-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	40,000
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>40,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,061</u>	<u>\$ 16,898</u>	<u>\$ 40,000</u>

<u>MAT2 JS</u>	<u>Adult Ed</u>	<u>RR CJS</u>	<u>DTMB RPI</u>	<u>TC Talus Local</u>	<u>Transportation</u>
\$ -	\$ -	\$ 2	\$ -	\$ 36,727	\$ -
9,984	-	-	-	-	-
-	30,538	-	-	-	44,333
-	-	-	-	-	36
-	-	-	112,266	-	-
-	-	-	-	-	-
<u>\$ 9,984</u>	<u>\$ 30,538</u>	<u>\$ 2</u>	<u>\$ 112,266</u>	<u>\$ 36,727</u>	<u>\$ 44,369</u>
\$ -	\$ 30,538	\$ -	\$ -	\$ -	\$ -
-	-	-	286	43	3,483
9,984	-	-	-	-	36,445
-	-	2	111,980	36,684	4,441
9,984	30,538	2	112,266	36,727	44,369
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 9,984</u>	<u>\$ 30,538</u>	<u>\$ 2</u>	<u>\$ 112,266</u>	<u>\$ 36,727</u>	<u>\$ 44,369</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	DEQ Betsie River	DNR BVWT	MSHDA HUD MATCH
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	8,200	4,041	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,200</u>	<u>\$ 4,041</u>	<u>\$ -0-</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ -	\$ -	\$ -
Other	2,907	10	-
Due to other funds	5,293	4,031	-
Unearned revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	8,200	4,041	-0-
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>\$ 8,200</u>	<u>\$ 4,041</u>	<u>\$ -0-</u>

Hazard Mitigation 10/13-9/16	CZM	Farm Financing MSU	MDARD Wineries	Farmer Education	Farmer IDA Program
\$ -	\$ -	\$ 6,193	\$ 4,483	\$ -	\$ 840
-	-	-	-	-	-
39,100	24,712	13,650	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 39,100</u>	<u>\$ 24,712</u>	<u>\$ 19,843</u>	<u>\$ 4,483</u>	<u>\$ -0-</u>	<u>\$ 840</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	20	8,400	-	-	-
39,087	24,692	-	-	-	-
-	-	11,443	4,483	-	-
39,100	24,712	19,843	4,483	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	840
-	-	-	-	-	-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>840</u>
<u>\$ 39,100</u>	<u>\$ 24,712</u>	<u>\$ 19,843</u>	<u>\$ 4,483</u>	<u>\$ -0-</u>	<u>\$ 840</u>

Networks Northwest

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2016

	Prisoner Reentry Comp. Planning	Lifeways	Networks Northwest
ASSETS			
Cash and cash equivalents	\$ -	\$ 8,124	\$ 198
Accounts receivable			
NW Michigan Works!	-	-	-
State of Michigan	48,412	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepays	200	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 48,612</u>	<u>\$ 8,124</u>	<u>\$ 198</u>
LIABILITIES			
Accounts payable			
NW Michigan Works!	\$ 1,133	\$ -	\$ -
Other	14,850	2	-
Due to other funds	31,390	-	-
Unearned revenue	1,239	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	48,612	2	-0-
FUND BALANCES			
Nonspendable	200	-	-
Restricted	-	8,122	198
Unassigned	(200)	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>8,122</u>	<u>198</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,612</u>	<u>\$ 8,124</u>	<u>\$ 198</u>

Pass Through MRS	ETC Mich Works	Communications	Loan Fund	Total
\$ -	\$ 5,106	\$ 18,498	\$ 6,414	\$ 372,546
-	-	-	-	10,984
-	-	-	-	1,376,625
-	-	-	-	24,587
-	-	-	-	137,589
-	-	-	-	1,288
<u>\$ -0-</u>	<u>\$ 5,106</u>	<u>\$ 18,498</u>	<u>\$ 6,414</u>	<u>\$ 1,923,619</u>
\$ -	\$ -	\$ -	\$ -	\$ 399,469
-	-	-	-	356,409
-	-	-	-	749,729
-	-	-	-	318,008
-0-	-0-	-0-	-0-	1,823,615
-	-	-	-	1,288
-	5,106	18,498	6,414	100,004
-	-	-	-	(1,288)
-0-	5,106	18,498	6,414	100,004
<u>\$ -0-</u>	<u>\$ 5,106</u>	<u>\$ 18,498</u>	<u>\$ 6,414</u>	<u>\$ 1,923,619</u>

Networks Northwest

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	WIA Administration PY14	WIA Adult PY14	WIA DW PY14
REVENUES			
Grants			
Federal	\$ 55,919	\$ 233,507	\$ 257,909
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	55,919	233,507	257,909
EXPENDITURES			
Administration	55,919	-	-
Training	-	123,275	254,571
Services	-	-	-
Intensive	-	92,429	-
Core services	-	17,803	3,338
Procurement	-	-	-
TOTAL EXPENDITURES	55,919	233,507	257,909
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-

JD NEG	WIA DW	WIA/AAR DW NEG 14/15	Defense Procurement 15/16	MEDC	Host Cash Match 2014
\$ 292,590	\$ 314,314	\$ 114,728	\$ 247,418	\$ -	\$ -
-	-	-	-	180,000	-
-	-	-	-	-	18,750
292,590	314,314	114,728	247,418	180,000	18,750
25,583	24,808	13,483	-	-	-
193,426	161,367	55,490	-	-	-
-	128,139	925	-	180,000	16,581
30,718	-	21,916	-	-	-
42,863	-	22,914	-	-	-
-	-	-	247,418	-	-
292,590	314,314	114,728	247,418	180,000	16,581
-0-	-0-	-0-	-0-	-0-	2,169
-	-	-	-	-	7,470
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	7,470
-0-	-0-	-0-	-0-	-0-	9,639
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 9,639

Networks Northwest

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	SBDC Host Match 2015	SBDC 2014	Defense Procurement 14/15
REVENUES			
Grants			
Federal	\$ -	\$ 141,315	\$ 42,834
State	-	-	-
Other local sources	-	3,525	-
TOTAL REVENUES	-0-	144,840	42,834
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	7,537	149,106	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	42,834
TOTAL EXPENDITURES	7,537	149,106	42,834
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,537)	(4,266)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,266	-
Transfers out	(13,762)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(13,762)	4,266	-0-
NET CHANGE IN FUND BALANCES	(21,299)	-0-	-0-
Fund balances, beginning of year	21,299	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

<u>PTAC Match</u>	<u>SBDC 2015</u>	<u>WIA Youth PY14</u>	<u>Foster Care Summer Youth</u>	<u>SYEP Supportive Services</u>	<u>Trade</u>
\$ -	\$ 46,345	\$ 185,549	\$ 23,530	\$ 2,000	\$ 10,000
-	-	-	-	-	-
-	270	-	-	-	-
-0-	46,615	185,549	23,530	2,000	10,000
-	-	-	2,353	-	-
-	-	-	-	-	-
16,969	42,349	185,549	21,177	2,000	10,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,969	42,349	185,549	23,530	2,000	10,000
(16,969)	4,266	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	(4,266)	-	-	-	-
-0-	(4,266)	-0-	-0-	-0-	-0-
(16,969)	-0-	-0-	-0-	-0-	-0-
23,459	-	-	-	-	-
\$ 6,490	\$ -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, 2016

	TAA Admin	WP Emp Svc PY15	EUC RES Additional
REVENUES			
Grants			
Federal	\$ 305,531	\$ 197,735	\$ 88,563
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	305,531	197,735	88,563
EXPENDITURES			
Administration	4,824	-	-
Training	96,567	-	-
Services	204,140	197,735	88,563
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	305,531	197,735	88,563
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-

WP Emp Svc PY14	Path TANF	Path Support Services	Path GFGP	GHMWW	WIOA SW
\$ 74,774	\$ 821,468	\$ 39,000	\$ -	\$ -	\$ 11,277
-	-	-	118,807	135,000	-
-	-	-	-	-	-
74,774	821,468	39,000	118,807	135,000	11,277
-	82,147	-	9,670	13,000	-
-	-	-	-	-	-
74,774	739,321	39,000	109,137	122,000	11,277
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
74,774	821,468	39,000	118,807	135,000	11,277
-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, 2016

	WIOA Admin PY16	WIOA Adult	WIOA DW PY15
REVENUES			
Grants			
Federal	\$ 171,655	\$ 819,079	\$ 439,419
State	-	-	-
Other local sources	-	-	-
TOTAL REVENUES	171,655	819,079	439,419
EXPENDITURES			
Administration	171,655	-	-
Training	-	326,215	185,562
Services	-	492,864	253,857
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	171,655	819,079	439,419
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-

RESEA	RESEA WBT	SBA Export	MEDC Michigan Export	MEDC CDC	CB Trade
\$ 14,013	\$ 131,500	\$ -	\$ -	\$ -	\$ 2,572
-	-	59,936	52,617	58,670	-
-	-	-	3,453	-	-
14,013	131,500	59,936	56,070	58,670	2,572
-	10,540	-	-	-	-
-	79,269	-	-	23,887	-
14,013	41,691	59,936	51,373	34,783	2,572
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,013	131,500	59,936	51,373	58,670	2,572
-0-	-0-	-0-	4,697	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	4,697	-0-	-0-
-	-	-	-	-	-
\$ -0-	\$ -0-	\$ -0-	\$ 4,697	\$ -0-	\$ -0-

Networks Northwest

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	WIA Incentive	JAG Jobs	Skilled Trades Training
REVENUES			
Grants			
Federal	\$ 25,583	\$ 125,037	\$ -
State	-	-	680,912
Other local sources	-	-	-
TOTAL REVENUES	25,583	125,037	680,912
EXPENDITURES			
Administration	-	14,000	-
Training	-	-	-
Services	25,583	111,037	680,912
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	25,583	125,037	680,912
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-

WIA SWCB	WIOA Youth PY15	EDA 14/15	EDA 15/16	Migrant	Food Stamps Support Services
\$ 156,250	\$ 545,554	\$ 23,918	\$ 41,701	\$ 102,667	\$ 2,749
-	-	-	-	-	-
-	-	-	51,628	-	-
156,250	545,554	23,918	93,329	102,667	2,749
-	-	-	-	-	-
-	-	-	-	-	-
156,250	545,554	23,918	93,329	102,667	2,749
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
156,250	545,554	23,918	93,329	102,667	2,749
-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, 2016

	Food Assistance Employ & Train	HIP	Rotary
REVENUES			
Grants			
Federal	\$ 53,761	\$ -	\$ -
State	-	37,063	-
Other local sources	-	-	40,000
TOTAL REVENUES	53,761	37,063	40,000
EXPENDITURES			
Administration	4,911	1,299	-
Training	-	-	-
Services	48,850	35,764	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	53,761	37,063	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	40,000
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	40,000
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ 40,000

<u>MAT2 JS</u>	<u>Adult Ed</u>	<u>RR CJS</u>	<u>DTMB RPI</u>	<u>TC Talus Local</u>	<u>Transportation</u>
\$ -	\$ 212,538	\$ 13,949	\$ -	\$ -	\$ 40,698
65,100	-	-	475,732	-	120,317
-	-	-	-	19,475	-
65,100	212,538	13,949	475,732	19,475	161,015
3,335	-	-	-	-	-
-	-	-	-	-	-
61,765	212,538	13,949	475,732	19,475	161,015
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
65,100	212,538	13,949	475,732	19,475	161,015
-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, 2016

	DEQ Betsie River	DNR BVWT	MSHDA HUD MATCH
REVENUES			
Grants			
Federal	\$ 16,550	\$ -	\$ -
State	-	5,663	-
Other local sources	-	-	-
TOTAL REVENUES	16,550	5,663	-0-
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	16,550	5,663	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	16,550	5,663	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(2,381)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(2,381)
NET CHANGE IN FUND BALANCES	-0-	-0-	(2,381)
Fund balances, beginning of year	-	-	2,381
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

Hazard Mitigation 10/13-9/16	CZM	Farm Financing MSU	MDARD Wineries	Farmer Education	Farmer IDA Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61,725	-	52,153	3,923	-	-
-	63,057	-	-	-	-
61,725	63,057	52,153	3,923	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
61,725	63,057	52,153	3,923	1,630	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
61,725	63,057	52,153	3,923	1,630	-0-
-0-	-0-	-0-	-0-	(1,630)	-0-
-	-	-	-	133	-
-	-	-	-	-	(134)
-0-	-0-	-0-	-0-	133	(134)
-0-	-0-	-0-	-0-	(1,497)	(134)
-	-	-	-	1,497	974
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 840

Networks Northwest

Nonmajor Governmental Funds

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

Year Ended September 30, 2016

	Prisoner Reentry Comp. Planning	Lifeways	Networks Northwest
REVENUES			
Grants			
Federal	\$ -	\$ -	\$ -
State	519,033	-	-
Other local sources	-	10,000	1
TOTAL REVENUES	519,033	10,000	1
EXPENDITURES			
Administration	-	-	-
Training	-	-	-
Services	519,033	2,772	-
Intensive	-	-	-
Core services	-	-	-
Procurement	-	-	-
TOTAL EXPENDITURES	519,033	2,772	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	7,228	1
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	7,228	1
Fund balances, beginning of year	-	894	197
Fund balances, end of year	\$ -0-	\$ 8,122	\$ 198

<u>Pass Through MRS</u>	<u>ETC Mich Works</u>	<u>Communications</u>	<u>Loan Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,445,499
-	400	-	-	2,627,051
<u>12,150</u>	<u>1,444</u>	<u>2,730</u>	<u>38,460</u>	<u>264,943</u>
12,150	1,844	2,730	38,460	9,337,493
-	-	-	-	437,527
-	-	-	-	1,499,629
<u>12,150</u>	<u>2,923</u>	<u>2,909</u>	<u>38,339</u>	<u>6,851,282</u>
-	-	-	-	145,063
-	-	-	-	86,918
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,252</u>
<u>12,150</u>	<u>2,923</u>	<u>2,909</u>	<u>38,339</u>	<u>9,310,671</u>
-0-	(1,079)	(179)	121	26,822
-	-	-	6,293	18,162
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,543)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,293</u>	<u>(2,381)</u>
-0-	(1,079)	(179)	6,414	24,441
<u>-</u>	<u>6,185</u>	<u>18,677</u>	<u>-</u>	<u>75,563</u>
<u>\$ -0-</u>	<u>\$ 5,106</u>	<u>\$ 18,498</u>	<u>\$ 6,414</u>	<u>\$ 100,004</u>

Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures	Amounts Passed to Subrecipients
U.S. DEPARTMENT OF LABOR			
Passed through State of Michigan Workforce Development Agency			
WIA/WIOA Adult Program	17.258 ⁽¹⁾⁽²⁾		
Adult			
PY14		\$ 69,773	\$ 60,570
PY15		982,813	794,909
Administration ⁽³⁾			
PY15		16,552	-
PY16		49,437	-
SWA-WIOA		7,573	-
Jobs for Michigan Graduates		36,011	-
SWA - Capacity Building ⁽⁴⁾		45,000	-
SWA - Service Center ⁽⁴⁾		3,248	-
		<u>1,210,407</u>	<u>855,479</u>
WIA/WIOA Youth Activities	17.259 ⁽¹⁾⁽²⁾		
Youth			
PY15		731,103	552,142
Administration ⁽³⁾			
PY15		17,670	-
PY16		53,556	-
SWA-WIOA		8,084	-
Jobs for Michigan Graduates		39,012	-
SWA - Capacity Building ⁽⁴⁾		48,750	-
SWA - Service Center ⁽⁴⁾		3,518	-
		<u>901,693</u>	<u>552,142</u>
WIOA National Dislocated Worker Grants/WIA National	17.278 ⁽¹⁾⁽²⁾		
Emergency Grants			
Dislocated Worker			
PY13		380,000	285,380
PY14		66,481	49,745
PY15		250,847	188,506
Administration ⁽³⁾			
PY15		21,697	-
PY16		68,662	-
SWA-WIOA		9,926	-
Jobs for Michigan Graduates		50,014	-
SWA - Capacity Building ⁽⁴⁾		62,500	-
SWA - Service Center ⁽⁴⁾		4,511	-
Rapid Response - CJS		13,949	-
		<u>928,587</u>	<u>523,631</u>
TOTAL WIA/WIOA CLUSTER		3,040,687	1,931,252

Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2016

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			
Workforce Investment Act - National Emergency Grant (NEG)	17.277		
AAR NEG 15/16		\$ 114,728	\$ 101,245
JD NEG 15/16		292,590	231,487
NEG Dislocated Worker Training 15/16		<u>314,314</u>	<u>289,505</u>
		721,632	622,237
Employment Services	17.207		
PY15		197,735	-
PY16		<u>74,774</u>	<u>-</u>
		272,509	-0-
TAA/NAFTA	17.245		
Employer-Based		10,000	-
Rapid Response		2,572	-
Trade Act Case Management		<u>305,531</u>	<u>-</u>
		318,103	-0-
Unemployment Insurance	17.225		
REA Pilot Program		88,563	-
Migrant and Seasonal Farm Work		102,667	-
RESEA Work Based Training		131,500	-
Work Based Training		<u>14,013</u>	<u>-</u>
		<u>336,743</u>	<u>-0-</u>
TOTAL U.S. DEPARTMENT OF LABOR		4,689,674	2,553,489
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through the Michigan Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	16,550	-
U.S. DEPARTMENT OF EDUCATION			
Passed through Michigan Department of Education			
Adult Education and Family Literacy	84.002		
Regular		212,538	178,023
U.S. SMALL BUSINESS ADMINISTRATION			
Passed through the Michigan SBDC Headquarters and Grand Valley State University			
SBDC Regional Center	59.037		
PY15		141,315	-
PY16		<u>46,345</u>	<u>-</u>
		187,660	-0-

Networks Northwest

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures	Amounts Passed to Subrecipients
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 FY15		\$ 821,468	\$ 637,402
Summer Youth Employment Program Supportive Services		39,000	19,313
TANF PATH - Supportive Services FY15		2,000	-
		862,468	656,715
Chafee Foster Care Independence Program	93.674	23,530	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		885,998	656,715
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Michigan Workforce Development Agency	10.561		
Supplemental Nutrition Assistance Program (SNAP)			
Employment and Training FY14		2,749	-
Employment and Training FY15		53,761	42,069
TOTAL U.S. DEPARTMENT OF AGRICULTURE		56,510	42,069
U.S. DEPARTMENT OF DEFENSE			
Passed through the Defense Logistics Agency	12.002		
Procurement - Technical Assistance FY14		42,834	-
Procurement - Technical Assistance FY15		247,418	-
		290,252	-0-
U.S. DEPARTMENT OF COMMERCE			
Passed through the Economic Development Administration	11.302		
Economic Development - Support for Planning Organizations			
District Continuation Grant 14/15		23,918	-
District Continuation Grant 15/16		41,701	-
		65,619	-0-
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan Department of Transportation	20.205		
Highway Planning and Construction		40,698	-
TOTAL FEDERAL AWARDS		\$ 6,445,499	\$ 3,430,296

(5)

Networks Northwest

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2016

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 a "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.

Principals

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

To the 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, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 19, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

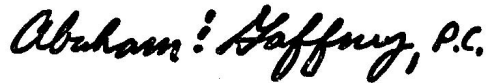
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Agency's Response to Finding

The Agency's response to the finding identified in our audit is described in the accompanying corrective action plan. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive, stylized font.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 19, 2017

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

To the 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, 2016. 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, 2016.

Report on Internal Control Over Compliance

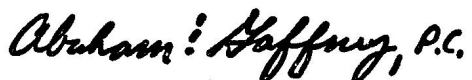
Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types 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.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 19, 2017

Networks Northwest

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2016

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? X Yes 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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? X Yes No

Section II - Financial Statement Findings

2016-001 MATERIAL JOURNAL ENTRIES

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

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Cause: The Agency's internal controls over financial reporting failed to identify these misstatements.

Effect: Without the identification of material journal entries that were not otherwise identified by management, the general ledger was materially misstated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2016

Section II - Financial Statement Findings - Continued

2016-001 MATERIAL JOURNAL ENTRIES - CONTINUED

Recommendation: We recommend the Agency take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Section III - Federal Award Findings

No findings noted.

Networks Northwest

CORRECTIVE ACTION PLAN

Year Ended September 30, 2016

2016-001 MATERIAL JOURNAL ENTRIES

Authority personnel responsible for resolution: Darla Rowland

Corrective Action Response: The adjusting journal entries provided by the auditors after the FY15 audit were forwarded to the agency's accountant who prepares the financial statements for the audit. The journal entries were not included when the financial statements were prepared for the FY16 audit. The Director of Finance & Quality Assurance has addressed the oversight with the accountant and it is not expected to be an issue in the future.

Anticipated completion date: September 30, 2017

Networks Northwest

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2016

FINDINGS/NONCOMPLIANCE

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

No findings noted.

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 OMB Circular A-133.

No findings noted.