

Alliance of Rouge Communities

**Financial Statements
December 31, 2011**

Alliance of Rouge Communities

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For the Year Ended December 31, 2011**

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COLE, NEWTON & DURAN

CERTIFIED PUBLIC ACCOUNTANTS
33762 SCHOOLCRAFT ROAD, 2ND FLOOR
LIVONIA, MICHIGAN 48150-1506

(734) 427-2030
FAX (734) 427-3004
EMAIL: CND@CNDCPA.COM
WEBSITE: WWW.CNDCPA.COM

Independent Auditor's Report

To the Board of Directors
Alliance of Rouge Communities
Detroit, Michigan

We have audited the accompanying statement of financial position of Alliance of Rouge Communities as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance of Rouge Communities as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2012, on our consideration of Alliance of Rouge Communities' 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Cole, Newton & Duran
Livonia, Michigan
August 21, 2012

Alliance of Rouge Communities

**Statement of Financial Position
For the Year Ended December 31, 2011**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	45,878
Accounts receivable		285,403
Inventory		<u>25,660</u>

TOTAL ASSETS	\$	<u>356,941</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	<u>319,299</u>
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TOTAL CURRENT LIABILITIES		319,299
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NET ASSETS - unrestricted		<u>37,642</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>356,941</u>
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Alliance of Rouge Communities
Statement of Activities
For the Year Ended December 31, 2011

	2011
REVENUE:	
Membership dues	\$ 266,687
Grants	681,615
Contributions	3,893
Rain barrel sales, net of costs of \$10,729	1,508
Total Revenue	953,703
EXPENSES:	
Organization Committee	
Executive director services	168,663
Public Involvement and Education Committee	
Green Infrastructure Campaign	93,493
Public education materials	24,289
Website maintenance	6,347
Watershed steward. and reporting/Friends of the Rouge	14,785
Total Public Involvement and Education Committee	138,914
Technical Committee	
Rouge River Watershed monitoring activities	66,230
ARC Collaborative IDEP and E. coll TMDL Plan	108,356
Compliance initiatives	11,708
Pursuing grant opportunities	9,909
Total Technical Committee	196,203
GLRI Projects	
Transforming the Rouge	244,640
Danvers Pond Dam Removal and Stream Restoration	42,867
Total GLRI Projects	287,507
Great Lakes Commission Projects	
Strategy to delist BUIs in the Rouge River	10,597
Upper Rouge BUI Strategy	13,024
Total Great Lakes Commission Projects	23,621
Rouge Round X Grant Projects	
RGC Urban Habitat	3,262
Wayne Road Dam Removal	114,855
Total Rouge Round X Grant Projects	118,117
CMI Project	
TMDL monitoring	6,853
NOAA Project	
Wayne Road Dam Removal	44,844
General	
Legal and accounting	9,200
Registration fees	40
Insurance	3,978
Total General	13,218
Total Expenses	997,940
CHANGE IN NET ASSETS	(44,237)
NET ASSETS - beginning of year	81,879
NET ASSETS - end of year	\$ 37,642

See notes to financial statements

Alliance of Rouge Communities

**Statement of Cash Flows
For the Year Ended December 31, 2011**

	<u>2011</u>
CASH FLOW TO OPERATING ACTIVITIES:	
CHANGE IN NET ASSETS	\$ (44,237)
Changes in operating assets and liabilities which increase (decrease) cash flow -	
Accounts receivable	(159,156)
Inventory	(25,660)
Accounts payable	<u>162,724</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(66,329)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(66,329)
CASH AND CASH EQUIVALENTS BALANCE - beginning of year	<u>112,207</u>
BALANCE - end of year	<u><u>\$ 45,878</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>

See notes to financial statements

Alliance of Rouge Communities
Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Alliance of Rouge Communities (ARC) was formed in 2005 as an unincorporated association operating under and authorized by Part 312 of the Michigan Natural Resources and Environmental Protection Act. ARC is a voluntary public watershed entity. Its members consist primarily of municipal governments located in Wayne, Oakland and Washtenaw counties. ARC's purpose is to encourage watershed-wide cooperation and mutual support to meet water quality permit requirements and to restore beneficial uses of the Rouge River to the area residents.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

The organization considers all cash and amounts due from depository institutions to be cash equivalents for purposes of the statement of cash flows.

Revenue and Expenses

Membership dues are recognized in the period for which they cover. Dues cover the calendar year in which they are billed. Grant reimbursements are recognized in the period in which the reimbursable expenses are recognized.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Alliance of Rouge Communities is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service may examine the form 990 of the organization for a period of three years after the return is filed or the due date, whichever is later. Therefore, the organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2008.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Organization has a contract with ECT, Inc. for Executive Director services. The Executive Director is a shareholder and employee of ECT, Inc. The amount billed from ECT, Inc. totaled \$643,279 for 2011.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash account in a commercial bank located in Michigan. The account is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2011, the balance was fully insured.

Alliance of Rouge Communities

Notes to Financial Statements For the Year Ended December 31, 2011

NOTE 4 - RECEIVABLES

Accounts receivable consists of membership dues that have not been paid at December 31, 2011 and unsubmitted requests for reimbursement from local and federal agencies under the various grant agreements.

The Organization believes all receivables are collectible and therefore has no allowance for doubtful accounts.

NOTE 5 - DONATED SERVICES

During 2011, the Organization received donated services from ECT, Inc. for executive director services. The fair value of the donated services received was \$8,329. The Organization also received donated services from a non-profit organization and local government agencies for assistance with tasks related to the GLRI projects and Rouge Round X Grant projects. The fair value of these donated services received was \$86,485.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 21, 2012, the date which the financial statements were available to be issued.

**Alliance of Rouge
Communities**

**Year Ended
December 31, 2011**



**Single Audit Act
Compliance**

COLE, NEWTON & DURAN
CERTIFIED PUBLIC ACCOUNTANTS
LIVONIA, MICHIGAN

Alliance of Rouge Communities

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COLE, NEWTON & DURAN

CERTIFIED PUBLIC ACCOUNTANTS
33762 SCHOOLCRAFT ROAD, 2ND FLOOR
LIVONIA, MICHIGAN 48150-1506

(734) 427-2030
FAX (734) 427-3004
EMAIL: CND@CNDCPA.COM
WEBSITE: WWW.CNDCPA.COM

Independent Auditor's Report of the Schedule of Expenditures of Federal Awards

To the Board of Directors of
Alliance of Rouge Communities
Detroit, Michigan

We have audited the financial statements of Alliance of Rouge Communities, as of and for the year ended December 31, 2011, and have issued our report thereon dated August 21, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Alliance of Rouge Communities' basic financial statements. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Cole, Newton & Duran
Certified Public Accountants
Livonia, Michigan

August 21, 2012

Alliance of Rouge Communities

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011**

Federal Agency / Cluster or Program Title	Direct or Pass-Through Grantor	Pass-Through Grant Number	CFDA Number	Federal Expenditures
U.S. ENVIROMENTAL PROTECTION AGENCY				
Great Lakes Programs	Great Lakes National Program Office	GL-00E00639 & GL -000E00643	66.469	\$ 333,560
Danvers Pond Dam Removal & Stream Restoration				
Transforming the Rouge AOC				
Rouge River National Wet Weather Demonstration Project	Wayne County	XP995743-09	66.202	246,388
Total U.S. Environmental Protection Agency				<u>579,948</u>
TOTAL FEDERAL AWARDS				<u>\$ 579,948</u>

See notes to schedule of expenditures of federal awards.

Alliance of Rouge Communities

Notes to Schedule of Expenditures of Federal Awards December 31, 2011

NOTE – 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Alliance of Rouge Communities under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Alliance of Rouge Communities, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Alliance of Rouge Communities.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 of the Alliance of Rouge Communities' financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Trail Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE – 3 RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TO THE STATEMENT OF ACTIVITIES**

Grants reported on the Statement of Activities	\$ 681,615
Less: Matching and other grant income	<u>(101,667)</u>
Total Federal Awards	<u>\$ 579,948</u>

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33762 SCHOOLCRAFT ROAD, 2ND FLOOR
LIVONIA, MICHIGAN 48150-1506

(734) 427-2030
FAX (734) 427-3004
EMAIL: CND@CNDCPA.COM
WEBSITE: WWW.CNDCPA.COM

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
Alliance of Rouge Communities
Detroit, Michigan

We have audited the financial statements of Alliance of Rouge Communities (a Michigan not for profit organization) (the Organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated August 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alliance of Rouge Communities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alliance of Rouge Communities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alliance of Rouge Communities' internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alliance of Rouge Communities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the County of Wayne, The United States Environmental Protection Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cole Newton & Duran

Cole, Newton & Duran
Certified Public Accountants
Livonia, Michigan

August 21, 2012

COLE, NEWTON & DURAN

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LIVONIA, MICHIGAN 48150-1506

(734) 427-2030
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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of
Alliance of Rouge Communities
Detroit, Michigan

Compliance

We have audited the compliance of Alliance of Rouge Communities with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alliance of Rouge Communities' major federal programs for the year ended December 31, 2011. Alliance of Rouge Communities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Alliance of Rouge Communities' management. Our responsibility is to express an opinion on Alliance of Rouge Communities' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alliance of Rouge Communities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Alliance of Rouge Communities' compliance with those requirements.

In our opinion, Alliance of Rouge Communities complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of Alliance of Rouge Communities is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Alliance of Rouge Communities' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Alliance of Rouge Communities' 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 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 deficiencies, significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the County of Wayne, The United States Environmental Protection Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cole, Newton & Duran
Certified Public Accountants
Livonia, Michigan

August 21, 2012

Alliance of Rouge Communities

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of Alliance of Rouge Communities.
2. Internal control over financial reporting: No significant deficiencies relating to the audit of the financial statements are reported in the Auditor's Report on Internal Controls Over Financial Reporting.
3. No instances of noncompliance material to the financial statements Alliance of Rouge Communities were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in Report on Compliance.
5. The auditor's report on compliance for major programs expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include: U.S. Department of the Environmental Protection Act, Great Lakes Programs (GLNPO) CFDA 66.469.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. This is the first year audit of The Alliance of Rouge Communities, for this reason it does not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None

FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None