

**CENTRAL IOWA EMPLOYMENT AND
TRAINING CONSORTIUM**

Financial Statements and Supplementary Information

June 30, 2003

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

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CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Officials

June 30, 2003

Agency Board of Directors

<u>Name</u>	<u>Representing</u>	<u>Title</u>
Archie Brooks	City of Des Moines	Chairperson
Dave Reed	Boone County	Vice-Chairperson
Sherry Howard	Story County	Secretary/Treasurer
Tom Vlassis	City of Des Moines	Member
Ako Abdul Samad	City of Des Moines	Member
Alice Wicker	Dallas County	Member
Max Worthington	Jasper County	Member
Cy McDonald	Madison County	Member
Howard Pothoven	Marion County	Member
Bob Brown	Polk County	Member
John Mauro	Polk County	Member
John Campbell	Polk County	Member
Dan Albritton	Polk County	Member
Bob Sandy	Warren County	Member

Agency

Ramona Cunningham – Executive Director

Karen Tesdell – Chief Accountant

Independent Auditors' Report

To the Board of Directors
Central Iowa Employment and Training Consortium

We have audited the accompanying balance sheet of Central Iowa Employment and Training Consortium (CIETC) as of June 30, 2003 and the related statement of revenues, expenditures, and changes in fund balance – general fund for the year then ended. These financial statements are the responsibility of CIETC'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; Chapter 11 of the Code of Iowa; and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CIETC as of June 30, 2003 and the revenues, expenditures, and changes in fund balance – general fund 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 reports dated June 14, 2004 on our consideration of CIETC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of CIETC taken as a whole. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Faller & Kincheloe, P.C.

June 14, 2004

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Balance Sheet-
General Fund and Account Groups

June 30, 2003

	<u>General fund</u>	<u>Account Groups General long-term obligations</u>
Assets and Other Debits		
Current assets		
Cash	\$ 30,662	\$ --
Grants receivable	822,122	--
Other current assets	<u>114,690</u>	<u>--</u>
Total current assets	967,474	--
Amount to be provided for retirement of general long-term obligations	<u>--</u>	<u>122,157</u>
Total assets and other debits	<u>\$ 967,474</u>	<u>\$ 122,157</u>
Liabilities, Fund Balance, and Other Credits		
Liabilities		
Accounts payable	\$ 662,439	\$ --
Accrued payroll	45,848	--
Compensated absences	--	122,157
Other payables	<u>36,313</u>	<u>--</u>
Total liabilities	744,600	122,157
Unrestricted fund balance	<u>222,874</u>	<u>--</u>
Total liabilities and fund balance	<u>\$ 967,474</u>	<u>\$ 122,157</u>

See accompanying notes to financial statements.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund

Year ended June 30, 2003

Revenues	
Federal	\$ 6,593,482
State	174,083
Other	<u>281,756</u>
Total revenues	7,049,321
Expenditures	
Administration	2,699,096
Program	<u>4,138,685</u>
Total expenditures	<u>6,837,781</u>
Excess of revenues over expenditures	211,540
Fund balance at beginning of year	<u>11,334</u>
Fund balance at end of year	<u>\$ 222,874</u>

See accompanying notes to financial statements.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to Financial Statements

June 30, 2003

Note 1 – Summary of Significant Accounting Policies

Central Iowa Employment and Training Consortium (CIETC) is a governmental organization of city and county governments organized under the provisions of Chapter 28E of the Code of Iowa. Its purpose is to serve as a grant recipient/administrative entity for the employment and training programs in the eight-county geographical area of Boone, Dallas, Jasper, Madison, Marion, Polk, Story, and Warren counties in Iowa, and the city of Des Moines.

CIETC is exempt from federal income tax pursuant to Internal Revenue Code Section 115 which provides for exemption of divisions of state and local governments.

The financial statements of CIETC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. Significant accounting policies of CIETC are described below.

(a) Fund Accounting

The accounts of CIETC are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund and account groups in these financial statements are as follows:

Governmental Fund

General Fund – The general fund is the general operating fund of CIETC.

Account Groups

General Long-Term Obligations – This account group is established to account for the general long-term obligations of CIETC.

(b) Basis of Accounting

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to Financial Statements

June 30, 2003

Note 1 – Summary of Significant Accounting Policies (continued)

Expenditures in governmental funds are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

(c) *Cost Allocation*

Any costs not attributable to a specific program and cost category are allocated according to percentages of staff time spent on each program.

(d) *Compensated Absences*

Earned vacation is recorded as a liability in the general long-term obligations account group. The liability for compensated absences is based on current rates of pay.

Note 2 – Deposits

CIETC's deposits for the year ended June 30, 2003 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa.

Note 3 – Defined Benefit Pension Plan

CIETC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117, or by calling (515) 281-0020.

The annual valuation of liabilities under the plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial accrued liability which was \$1,866,898,949 at June 30, 2003.

Plan members are required to contribute 3.70% of their annual covered salary, and CIETC is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. CIETC's contributions to IPERS for the year ended June 30, 2003 were \$124,986, equal to the required contributions for the year. Employees' contributions to IPERS were \$81,263 for the year ended June 30, 2003.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to Financial Statements

June 30, 2003

Note 4 – Capital Assets

Capital assets are property of the state of Iowa. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation is not recorded. The following schedule is a summary of the changes in capital assets for the year ended June 30, 2003:

Balance at June 30, 2002	\$ 285,027
Additions	32,968
Deletions	<u>(34,581)</u>
Balance at June 30, 2003	<u>\$ 283,414</u>

Note 5 – Compensated Absences

The following schedule is a summary of the changes in compensated absences for the year ended June 30, 2003:

Balance at June 30, 2002	\$ 152,103
Decrease	<u>(29,946)</u>
Balance at June 30, 2003	<u>\$ 122,157</u>

Note 6 – Leasing Arrangements

CIETC has various agreements to lease office space and storage under noncancelable operating leases. Rent expense for the year ended June 30, 2003 was \$238,068.

Future minimum lease commitments under noncancelable operating leases as of June 30, 2003 were as follows:

Year ending June 30, 2004	\$ 179,762
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CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Notes to Financial Statements

June 30, 2003

Note 7 – Related Party Transactions

A member of the Board of Directors is also the Chief Executive Officer for a non-profit organization that received funding from CIETC in the amount of \$21,530 during fiscal year 2003.

CIETC paid consulting fees to a relative of management in the amount of \$8,025 in fiscal year 2003.

CIETC uses an insurance agent who is a relative of a member of the Board of Directors to provide insurance coverage.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Grantor/program</u>	<u>CFDA number</u>	<u>Pass-through number</u>	<u>Federal expenditures</u>
Direct:			
U.S. Department of Labor			
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		\$ 1,564,990
Workforce Investment Act – Dislocated Workers	17.260		1,331,672
Pass-through:			
U.S. Department of Labor – passed through Iowa Workforce Development:			
Workforce Investment Act:			
Adult Training Program	17.258	1-W-11-FR-0	317,475
Youth Training Program (1)	17.259	1-W-11-FR-0	514,050
Dislocated Workers	17.260	1-W-11-FR-0	1,118,096
Welfare-to-Work Grants to States and Localities	17.253	1-W-11-FR-0	11,425
Unemployment Insurance	17.225	1-W-11-FR-0	60,787
Labor Management Cooperation	34.002	1-W-11-FR-0	18,594
Employment Services - Wagner Peysler	17.207	1-W-11-FR-0	95,658
Disabled Veterans' Outreach Program	17.801	1-W-11-FR-0	6,002
Local Veterans' Employment Representative Program	17.804	1-W-11-FR-0	<u>5,342</u>
Total U.S. Department of Labor			5,044,091
U.S. Department of Agriculture – passed through Iowa Workforce Development – Administrative Matching Grants for Food Stamp Program			
	10.561	1-W-11-FR-0	2,599
U.S. Department of Health and Human Services – passed through Iowa Workforce Development – Temporary Assistance for Needy Families			
	93.558	1-W-11-FR-0	<u>1,546,792</u>
Total Federal Expenditures			<u>\$ 6,593,482</u>

(1) The Youth Training Program includes \$286,467 which is passed through to Iowa Comprehensive Human Services.

See accompanying independent auditors' report and note to schedule of expenditures of federal awards.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Note to Schedule of Expenditures of Federal Awards

June 30, 2003

Note 1 – Basis of Presentation

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Central Iowa Employment and Training Consortium (CIETC) for the year ended June 30, 2003, which have been financed by the United States government. For purposes of the Schedule, federal financial assistance includes all federal assistance entered into directly between CIETC and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the activities of CIETC, it is not intended to and does not present the financial position, revenue, expenses, and changes in fund balances of CIETC.

Deductions or expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the *U.S. Office of Management and Budget Circular A-122, Cost Principles for Nonprofit Organizations*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.



**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Central Iowa Employment and Training Consortium

We have audited the financial statements of Central Iowa Employment and Training Consortium (CIETC) as of and for the year ended June 30, 2003, and have issued our report thereon dated June 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CIETC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CIETC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of CIETC in a separate letter dated June 14, 2004.

This report is intended solely for the information and use of the board of directors, CIETC's management, and all applicable 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.

Faller & Kincheloe, P.C.
June 14, 2004

**Independent Auditors' 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
Central Iowa Employment and Training Consortium

Compliance

We have audited the compliance of Central Iowa Employment and Training Consortium (CIETC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. CIETC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Additionally, the accompanying summary schedule of prior audit findings lists the findings from the prior year and indicates the status of CIETC's responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CIETC's management. Our responsibility is to express an opinion on CIETC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; 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 CIETC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CIETC's compliance with those requirements.

In our opinion, CIETC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of CIETC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CIETC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, CIETC's management, and all applicable 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.

Faller & Kricheldorf, P.C.

June 14, 2004

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements: **None reported**

Material weaknesses: **No**
- (c) Noncompliance which is material to the financial statements: **No**
- (d) Reportable conditions in internal control over major programs: **No**

Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of *OMB Circular A-133*: **No**
- (g) Major programs:
Employment and Training Administration
Pilots, Demonstrations, and Research Projects CFDA 17.261
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under Section 530 of *OMB Circular A-133*: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.

CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM

Summary Schedule of Prior Audit Findings

Year ended June 30, 2003

US Department of Labor

Finding 02-1: Employment and Training Administration Pilots, Demonstrations, and Research Projects, CFDA 17.261

Condition: This finding was a reportable condition. CIETC had issued eligibility guidelines under the youth offender demonstration grant awarded through the Employment and Training Administration Pilots, Demonstrations, and Research Projects Program, including registration with the selective service, if applicable, which exceeded the requirements under the grant.

There was no documentation of selective service registration for three participants out of a sample of 16 selected for eligibility testing. Two application forms were utilized in the eligibility process, and one of the applications did not include a question regarding selective service registration.

Recommendation: The auditor recommended that selective service registration be added to the one application and make other changes, if necessary, in the eligibility process. The auditor also recommended that a review be performed of applicable application files for program participants and obtain documentation of registration where necessary.

Current Status: Immediate action was taken to register the three applicants in question with selective service. The corrective action plan included developing a checklist for each of the eligibility items to assist with eligibility determination and a single application form. Management has completed its review of program participants to ensure selective service compliance.



NEWS RELEASE

FOR RELEASE June 21, 2004

Faller & Kincheloe, P.C. CPAs today released an audit report on Central Iowa Employment and Training Consortium (CIETC) in Des Moines, IA.

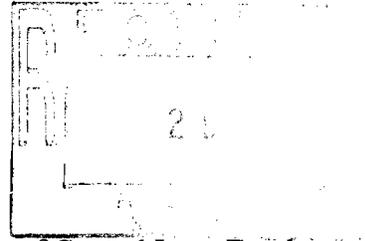
CIETC is a governmental organization of city and county governments organized under the provisions of Chapter 28E of the Code of Iowa. Its purpose is to serve as a grant recipient/administrative entity for the employment and training programs in the eight-county geographical area of Boone, Dallas, Jasper, Madison, Marion, Polk, Story, and Warren counties in Iowa, and the city of Des Moines.

Faller & Kincheloe, P.C. reported that CIETC revenues totaled \$7,049,321 for the year ended June 30, 2003. Revenue consisted primarily of \$6,767,565 from governmental funding sources and \$281,756 from other sources. Expenses totaled \$6,837,781 for the year ended June 30, 2003 and included \$4,138,685 in direct program expenses.

A copy of the audit report is available for review in the Office of Auditor of State and CIETC's office.

June 14, 2004

To Management and
The Board of Directors of
Central Iowa Employment and Training Consortium



In planning and performing our audit of the financial statements of Central Iowa Employment and Training Consortium (CIETC) for the year ended June 30, 2003, we considered CIETC's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 14, 2004, on the financial statements of CIETC.

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

Our comments are summarized as follows:

Accounting Manual

CIETC does not have a formal accounting manual documenting the procedures for fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should employees have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing. We recommend that operating guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice paying, maintenance of accounts receivable and accounts payable subsidiary records, and payroll procedures. In addition, an expense allocation methodology should also be incorporated into the accounting manual.

Outstanding Checks

CIETC has a number of old outstanding checks which after numerous attempts to resolve have remained as outstanding. Under Iowa law, any check which has been outstanding for more than three years after it was payable is deemed abandoned and should be remitted to the State of Iowa Treasurer's office. At June 30, 2003, CIETC had \$6,063 of outstanding checks that fall under the provisions of this law and should be remitted to the State of Iowa Treasurer. Under Iowa law, failure to pay or deliver property within the time prescribed shall be subject to interest at the annual rate of ten percent and a penalty of twenty five percent of the amount that should have been paid or delivered.

To Management and
The Board of Directors of
Central Iowa Employment and Training Consortium
June 14, 2004
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Budget

CIETC follows informal procedures in developing and approving their annual budget, updating the budget, and reporting on the budget. We recommend that CIETC establish formal written policies and procedures regarding the budgeting process including development, approval, updating, and reporting. Written procedures allow others to understand the process and sets general guidelines to be followed in the budgeting process.

Cash Management

CIETC maintains an average balance in excess of \$100,000 in their Bankers Trust checking account. Under Iowa law, banks are required to maintain a balance in their capital account in an amount that covers all public funds on deposit with the bank in excess of the \$100,000 insurance coverage limits or set aside assets to collateralize the deposited funds in excess of their capital account coverage. Banks are required to report compliance with this law to the Treasurer, State of Iowa; however, CIETC is responsible to make sure the bank is in compliance with this law and to find a new bank if the bank is not in compliance. We recommend that CIETC maintain communications with Bankers Trust to monitor their status and to check the Treasurer's website at <http://www.treasurer.state.is.us/rates/public.cfm> to ensure that Bankers Trust is not suspended or terminated under this program.

Sincerely,

A handwritten signature in cursive script that reads "Jaller & Kunkel, P.C." The signature is written in black ink and is positioned below the word "Sincerely,".



June 14, 2004

To the Board of Directors
Central Iowa Employment and Training Consortium



We have audited the financial statements of Central Iowa Employment and Training Consortium (CIETC) for the year ended June 30, 2003, and have issued our report thereon dated June 14, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 28, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of CIETC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by CIETC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2003. We noted no transactions entered into by CIETC during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

To the Board of Directors
Central Iowa Employment and Training Consortium
June 14, 2004
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Management allocates various indirect expenses to grants based on employees' time working on the grant programs. We evaluated the key factors and assumptions used to develop the allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on CIETC's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by CIETC, either individually or in the aggregate, indicate matters that could have a significant effect on CIETC's financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

To the Board of Directors
Central Iowa Employment and Training Consortium
June 14, 2004
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Difficulties Encountered in Performing the Audit

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

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

Very truly yours,

Faller & Hinchelbae, P.C.