SANPETE COMMUNITY TRAINING CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

AND

INDEPENDENT AUDITOR'S REPORT

SANPETE COMMUNITY TRAINING CENTER, INC.

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6
REPORTS	
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*	9
Independent Auditor's Report on State Legal Compliance	10
SUPPORTING SCHEDULE	
Schedule of Family Support and Supported Employment Programs	11

David T.
Thomson P.C.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Sanpete Community Training Center, Inc.

I have audited the accompanying statement of financial position of Sanpete Community Training Center, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Sanpete Community Training Center, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanpete Community Training Center, Inc. as of June 30, 2005, 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*, I have also issued my report dated November 10, 2005, on my consideration of Sanpete Community Training Center, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Sanpete Community Training Center, Inc. taken as a whole. The accompanying schedule of family support and supported employment programs is presented for purposes of additional analysis, 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

David T. Thomson, P.C.

Salt Lake City, Utah
November 10, 2005

P.O. Box 571605 • Murray, Utah 84157 • (801) 966-9481

SANPETE COMMUNITY TRAINING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2005

ASSETS:		
Cash and cash equivalents	$	102,482
Cash - restricted for rural development loan		7,336
Cash - clients		500
Cash - employees		1,159
Contracts receivable		72,871
Fixed assets		
Land and improvements		10,684
Building and improvements		214,929
Vehicles		199,923
Office furniture and equipment		42,105
Accumulated depreciation		(218,868)
TOTAL ASSETS	$	433,121
LIABILITIES:		
Accounts payable	$	7,743
Payable - clients		500
Payable - employees		1,159
Retirement premium payable		1,450
Accrued wages payable		18,282
Vacation payable		6,337
Other accrued liabilities		6,345
Rural development loans		27,446
Total Liabilities		69,262
NET ASSETS:		
Unrestricted:		
Designated - vehicle purchases or other future purposes		9,207
Undesignated		354,652
Total Net Assets		363,859
TOTAL LIABILITIES AND NET ASSETS	$	433,121

The accompanying notes are an integral part of these financial statements.

SANPETE COMMUNITY TRAINING CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

	Net Assets		
	Unrestricted		
	Undesignated	Designated	Total
REVENUES			
Revenue and support			
State DSPD contract	$ 549,061	$ -	$ 549,061
County mental health	24,749	-	24,749
School districts	21,360	-	21,360
Rehabilitation services	27,244	-	27,244
Intensive Employment Services (IES)	13,555	-	13,555
Private pay clients	2,935	-	2,935
Other income and interest	3,415	-	3,415
Total revenue and support	642,319	-	642,319
Application of designated funds to be used to purchase vehicles or for other future designated purposes	23,050	(23,050)	-
Total net assets released for designated purposes	23,050	(23,050)	-
Total revenues	665,369	(23,050)	642,319
EXPENSES			
Program services			
Family support	231,753	-	231,753
Supported employment	142,887	-	142,887
Supported living	131,437	-	131,437
Companion Services	24,205	-	24,205
Supporting services			
Administrative and general	102,997	-	102,997
Total expenses	633,279	-	633,279
Gain on asset disposal	3,200	-	3,200
CHANGES IN NET ASSETS	35,290	(23,050)	12,240
NET ASSETS AT BEGINNING OF YEAR	319,362	32,257	351,619
NET ASSETS AT END OF YEAR	$ 354,652	$ 9,207	$ 363,859

The accompanying notes are an integral part of these financial statements.

SANPETE COMMUNITY TRAINING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2005

	Program Services				Supporting Services	
	Family Support	Supported Employment	Supported Living	Companion Services	Administration and General	Total Expenses
Salaries	$ 147,532	$ 79,881	$ 83,476	$ 22,040	$ 45,761	$ 378,690
Employment benefits	17,513	15,097	20,954	113	7,459	61,136
Payroll taxes	12,991	8,014	7,325	1,558	4,153	34,041
Retirement expense	6,815	4,340	4,152	41	2,133	17,481
Professional fees	-	-	-	-	13,655	13,655
Insurance	-	-	-	-	8,978	8,978
Occupancy expense	7,449	4,977	2,248	60	2,047	16,781
Equipment maintenance	1,240	1,095	130	-	343	2,808
Telephone	1,966	3,689	2,163	70	1,096	8,984
Supplies	4,307	718	1,348	-	3,592	9,965
Office expenses	-	-	-	-	2,856	2,856
Conference and training	1,376	679	247	110	-	2,412
Travel and transportation	30,564	24,397	9,394	213	7,980	72,548
Miscellaneous	-	-	-	-	2,944	2,944
Total expenses	$ 231,753	$ 142,887	$ 131,437	$ 24,205	$ 102,997	$ 633,279

The accompanying notes are an integral part of these financial statements.

SANPETE COMMUNITY TRAINING CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$	12,240
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		30,613
Gain on asset disposal		(3,200)
(Increase) decrease in operating assets:		
Contracts receivable		(11,527)
Increase (decrease) in operating liabilities:		
Accounts payable		2,735
Retirement payable		57
Accrued wages payable		2,237
Vacation payable		(945)
Other payables or accrued liabilities		(124)
Net cash provided by operating activities		32,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of fixed assets		3,200
Purchase of vehicle program supplies		(29,049)
Net cash (used) by investing activities		(25,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on rural development loan		(8,776)
Net cash (used) by financing activities		(8,776)
NET (DECREASE) IN CASH		(2,539)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		114,016
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	111,477
DISPLAYED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalbnets	$	102,482
Cash - restricted for rural development loan		7,336
Cash - clients		500
Cash - employees		1,159
Total cash and cash equivalents	$	111,477
SUPPLEMENTAL INFORMATION		
Interest paid	$	2,391
Taxes paid	$	-

The Center had no non-cash investing and financing activities for the year ended June 30, 2005

The accompanying notes are an integral part of these financial statements.

SANPETE COMMUNITY TRAINING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities - Sanpete Community Training Center, Inc. (SCTC) was incorporated under the laws of the State of Utah as a nonprofit organization in 1986. SCTC provides supported employment; job based training services, supported living and family support services for people who have mental or physical disabilities. SCTC is supported primarily through a contract with the Utah Division of Services for People with Disabilities. That contract provided 85% of SCTS's support for the year ended June 30, 2005.

2. Income Taxes - SCTC is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity.

3. Financial Statement Presentation - SCTC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

4. Contributions – Contributions, if applicable, are recognized when the donor makes a promise to give to SCTC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

5. Contract Receivables – Contract receivables for program fees and services are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance base on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. SCTC had no allowance for doubtful accounts at June 30, 2005.

6. Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, SCTC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SCTC reclassifies temporarily restricted net assets to unrestricted net assets at that time. SCTC had no donated property or equipment in 2005. Purchased property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives from 5 to 32 years.

7. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Cash equivalents - For purposes of the statement of cash flows, SCTC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

SANPETE COMMUNITY TRAINING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Fair Values of Financial Instruments - The carrying amounts reported in the statement of financial position for cash, short-term investments, and promises to give in less than one year approximate fair values because of the short maturities of those instruments.

10. Allocation of costs - Direct expenses are charged to their respective programs or services. Indirect expenses are allocated to each program based on their use or proportion of related direct expenses.

NOTE B – DESIGNATED UNRESTRICTED NET ASSETS

Funds have been designated by management and the Board of Directors for future vehicle replacement needs or other future purposes.

NOTE C – RESTRICTED CASH

Cash has been restricted to satisfy certain provisions of its two Rural Development loans. The loan documents require that 1/10th of a monthly payment be deposited in a payment reserve until a full years payment is obtained. The payment reserve for the two loans at June 30, 2005 is $7,336. SCTC has temporary funds in separate checking accounts at June 30, 2005 that it is holding for clients ($500) and employees ($1,159). A corresponding liability for these amounts is also recorded in the financial statements.

NOTE D - PENSION PLAN

SCTC participates in a SEP plan established through Zions Bank and MONY Life Insurance Company. Contributions are based upon participating employee's annual salaries at rates between 3% and 7%, determined by SCTC, not to exceed $2,000 per employee per year. This plan covers all full-time employees and is paid entirely by SCTC. Payments to these plans totaled $17,481 during the fiscal year ending June 30, 2005.

SCTC is legally obligated to contribute to the retirement systems as long as it has employees meeting service requirements. The full-time employee becomes eligible to participate in the plan after the completion of six months of service.

NOTE E – DEBT

At June 30, 2005, SCTC had two mortgage loans payable to the U.S. Department of Agriculture Rural Development with a total balance of $27,446. The loans are secured by the SCTC office building and property located in Ephraim, Utah. The total interest paid during the year for these loans was $2,391, and the total payment amount for the loans is $859 per month. Interest accrues on both loans at 4.75% per annum. Maturity for loan #01 is April 2008, and for loan #02 is August 2008.

SANPETE COMMUNITY TRAINING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash at a financial institution using a checking account. Cash at the institution is secured by the Federal Deposit Insurance Corporation up to $100,000. Uninsured balances of $92 existed at June 30, 2005.

Almost all of SCTC's service activity is with individuals located within Sanpete County of the State of Utah. SCTC has granted credit to individuals under State, local government, or school district contracts for program services. As of June 30, 2005, the receivable from contracts for such services was $72,871.

A substantial portion of SCTC's organizations support is provided through contracts obtained with the Utah Department of Human Services. Loss of this support would have a materially adverse effect on the organization's ability to continue operations.

NOTE F – CONTINGENCY

SCTC has a policy concerning sick leave which allows a full-time employee to carry over unused sick days. Eligible employees accrue this benefit based on time of service until they reach the maximum days set at 24 days per employee. SCTC does not allow payments of unused sick leave while employed, or at an employee's separation from the organization. The potential liability to the organization to provide this benefit could be $11,137. The actual amount for the liability is not determinable at this time.

REPORTS

David T.
Thomson P.C.

Certified Public Accountant

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*

Board of Directors of
Sanpete Community Training Center, Inc.

I have audited the financial statements of Sanpete Community Training Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued my report thereon dated November 10, 2005. I conducted my 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 my audit, I considered Sanpete Community Training Center, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 misstatements caused by error or fraud 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of SCTC in a separate letter dated November 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanpete Community Training Center, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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, Board of Directors 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.

David T. Thomson, P.C.

Salt Lake City, Utah
November 10, 2005

P.O. Box 571605 • Murray, Utah 84157 • (801) 966-9481

David T.
Thomson P.C.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Board of Directors of
Sanpete Community Training Center, Inc.

I have audited the financial statements of Sanpete Community Training Center, Inc., a nonprofit corporation, for the year ended June 30, 2005, and have issued my report thereon dated November 10, 2005. As part of my audit, I have audited Sanpete Community Training Center, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort or earmarking; reporting; and special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Sanpete Community Training Center, Inc. received the following major State assistance program from the State of Utah:

> State of Utah DHS/DSPD Contract #A00583 to provide Community Supported Living, Chore Services, Homemaker Services, Day Supports to include Structured Day Programs, and Supported Employment. These services are to be provided to people eligible for a Home and Community Based Waiver for Individuals 18 Years and older with Acquired Brain Injury or Developmental Disabilities / Mental Retardation.

The management of Sanpete Community Training Center, Inc. is responsible for its compliance with the compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Sanpete Community Training Center, Inc.'s compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, Sanpete Community Training Center, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

David T. Thomson P.C.

Salt Lake City, Utah
November 10, 2005

P.O. Box 571605 • Murray, Utah 84157 • (801) 966-9481

SUPPORTING SCHEDULE

SANPETE COMMUNITY TRAINING CENTER, INC.

SCHEDULE OF FAMILY SUPPORT AND SUPPORTED EMPLOYMENT PROGRAMS

Year Ended June 30, 2005

	Family Support				Supported Employment					
	Family Support 06	Mental Health 08	Day Training 09	Total	So. Sanpete Sch. District 02	Supported Employment 03	No. Sanpete Sch. District 04	Rehab 05	IES 10	Total
Salaries	$ 88,612	$ 12,142	$ 46,778	$ 147,532	$ 1,520	$ 53,583	$ 10,214	$ 9,611	$ 4,953	$ 79,881
Employment benefits	10,894	2,358	4,261	17,513	1,129	10,806	1,656	70	1,436	15,097
Payroll taxes	8,053	1,343	3,595	12,991	173	5,640	980	786	435	8,014
Retirement expense	4,661	605	1,549	6,815	149	3,229	320	357	285	4,340
Professional fees	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Occupancy expense	5,926	858	665	7,449	584	2,684	453	170	1,086	4,977
Equipment maintenance	830	156	254	1,240	-	1,067	14	14	-	1,095
Telephone	875	399	692	1,966	70	2,644	418	225	332	3,689
Supplies	3,300	468	539	4,307	5	273	385	15	40	718
Office expenses	-	-	-	-	-	-	-	-	-	-
Conference and training	789	65	522	1,376	7	559	20	29	64	679
Travel and transportation	20,027	4,257	6,280	30,564	932	15,010	5,144	1,916	1,395	24,397
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total expenses	$ 143,967	$ 22,651	$ 65,135	$ 231,753	$ 4,569	$ 95,495	$ 19,604	$ 13,193	$ 10,026	$ 142,887

David T.
Thomson P.C.

Certified Public Accountant

LETTER TO MANAGEMENT

November 10, 2005

Management and Board of Directors
Sanpete Community Training Center, Inc.

In planning and performing my audit of the financial statements of the Sanpete Community Training Center, Inc. for the year ended June 30, 2005, I considered the Center's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

The main purpose of this letter is to address areas where operating efficiency and internal controls of the Sanpete Community Training Center, Inc. could be improved and strengthened. It does not address the existing procedures and controls that are already in existence that need no improvement and are functioning well. Many such procedures and controls do exist and I would like to commend management and staff for the implementation of such controls and the conscientious manner that they are followed.

The memorandum that accompanies this letter summarizes my comments and suggestions regarding these matters. This letter does not affect my audit or audit report dated November 10, 2005, on the financial statements of the Center.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various Center personnel, and I 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.

Sincerely,

David T. Thomson, P.C.

David T. Thomson, P. C.
Salt Lake City, Utah

P.O. Box 571605 • Murray, Utah 84157 • (801) 966-9481

MEMORANDUM TO MANAGEMENT OF SANPETE COMMUNITY TRAINING CENTER, INC.

Segregation of Duties

The size of the Center's accounting and administrative staff is such that if the Center uses its entire staff it should be able to design internal controls that provide more segregation of duties than in the past. I recommend that you continue in your efforts to ensure that all accounting functions and duties, as much as possible, be segregated and cross checked between personnel performing the work and those personnel recording transactions in the accounting records.

Cash

- The governing Board should annually authorize all bank accounts and check signers
- Incoming mail should be opened and receipts listed in duplicate by two or more persons having no access to cash receipts or accounts receivable records.
- The above list of mail receipts should subsequently be compared to cash receipts records and validated copies of deposit slips by an employee having no access to cash.
- I recommend that checks remaining outstanding for over 90 days be followed up on and written off if circumstances so dictate.
- New checking accounts should be added to the accounting records, be reconciled and the transactions through the account should be recorded.

Petty Cash

- Petty cash funds must be maintained on an imprest basis (see note at end of memorandum).
- The petty cash custodian should be independent of employees who handle receipts, not have access to the accounting records, and should be bonded or insured for lost funds.
- Petty cash vouchers should be completed in full in ink or otherwise in such a manner that would make alterations difficult.
- The amounts of vouchers should be spelled as well as written in numerals, properly supported by invoices or cash register tapes, and all items contained in the petty cash fund must be of a current and usual nature.
- Checks for reimbursement of petty cash must be made out to the order of the custodian and reimbursement vouchers and attachments canceled at, or immediately following, the signing of the reimbursing check, so that they cannot be reused.

Support and Receivables

- The Board of Directors must approve or review and understand and then approve service fee rates or any other applicable revenue items, etc.
- Management must insure that employees with receivable responsibilities are required to take vacations and that other employees are required to perform those functions when the employee is absent and that access to computerized receivable records are limited to those with a logical need to such access.

Fixed Assets

- The Center should prepare, monitor, and set up policies as to capitalization ($300 to $500) and depreciable life and have on site its own independent fixed asset and depreciation schedule and the Center should maintain the schedule.

- I recommend that depreciation be recorded monthly, and that all additions and disposals are recorded on a timely basis, and that all fixed asset accounts be reviewed and reconciled monthly to catch errors. The Center should conduct an inventory of all fixed assets and the assets should be tagged when this is done.
- The list of tagged inventory should be updated when assets are sold and disposed of or when new assets are purchased. Every so often this list should be compared to assets on hand to insure that no assets are missing or stolen. Losses and gains on assets sold or disposed of should be recorded.
- Major fixed asset additions (over $1,500 to $2,000) and retirements should be approved by the Board of Directors.

Payroll

- Employees with payroll responsibility should be required to take vacations and other employees should perform those functions when an employee is absent.

Accounting Manual

- The Center should continue work on completing 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 question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing.
- As part of the accounting manual, I 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 in the accounting manual.

Budget

- Management of the Center should prepare an annual budget and it should be approved by the Board of Directors. Ideally it should be put together on a month to month basis and the monthly budget amounts should be compared to actual monthly amounts and variances should be analyzed and explained to the Board.

General Items

- The compensation paid to employees who do not participate in the Center health care plan appears to be subject to payroll taxes. If this is the case, then this compensation should have taxes withheld prior to payment to the employees.
- I recommend that you set up a loan reserve account line item in your accounting for the required loan reserve.
- You should get in writing from DSPD or other contractors support for any changes in client contract hour increases for services to be provided under their contracts.

Imprest

Imprest means that a specific amount is established for the fund and placed in the custody of a petty cashier who is accountable for that precise sum, made up of paid petty cash vouchers and remaining cash. The amount selected is determined by the demands on the fund and should usually be sufficient for about 1 month's needs.

A RESPONSE TO DAVID THOMSON'S 2005 LETTER TO MANAGEMENT
Sanpete Community Training Center

Segregation of Duties

Sanpete Community Training Center (SCTC) has a small group of fulltime staff limited on time outside of their duties to work directly with people with disabilities. Our primary funding source is the Division of Services to People with Disabilities (DSPD). Due to the limitations of our program funding our small agency cannot afford to pay staff to increase their workload by duplicating services provided by the management and administrative support staff presently in place.

Cash

- SCTC's governing board has and will continue to include the authorization of all bank accounts and check signers at the Annual end-of-the-calendar year meeting.
- The director and office manager handle the mail and provide oversight of all incoming correspondence, checks, banking statements, etc.
- See statement under "Segregation of Duties".
- Checks outstanding for more than 90 days are being followed up on.
- New checking accounts will be added to the accounting records, be reconciled and the transactions through the account recorded.

Petty Cash

- Petty cash funds will be maintained on an imprest basis by the office manager and/or director.
- See statement above.
- Petty cash vouchers are completed in full in ink.
- Petty cash vouchers consist of entries wherein the amount is both written in numerals and spelled out with supporting invoices or cash register tapes and will be consistent with standard disbursement activity.
- Checks for reimbursement of petty cash are made out to "Petty Cash" and the receipts/vouchers are stamped "Paid" following reimbursement .

Support and Receivables

- Prior to the beginning of each new fiscal year and/or at the annual governing board meeting, the members of the board review and understand service fee and other contracted rates.

- Management will insure, according to the guidelines of the SCTC policy manual, that employees with receivable responsibilities are required to take vacations and that other employees are trained and available to perform those functions. Access to computerized receivable records is limited to those with a logical need to review such information. The use of passwords on the administrative computers serves as a security check on this.

Fixed Assets

- SCTC's governing board will consider the recommendation to prepare, monitor and set up policies as to capitalization ($300 to $500) and depreciable life and whether to have on site its own independent fixed asset and depreciation schedule that would be maintained by the director and assistant.

- The director has conducted an inventory of all fixed assets and these assets are being tagged. The list of tagged inventory will be updated when assets are sold or disposed, or when new assets are purchased. Periodically the director will review this list and compare to actual assets on hand to check against the loss or theft of assets. Losses and gains on assets sold or disposed of shall be recorded.

- Major fixed asset additions (over $1,500 to $2,000) and retirements will be approved by the governing board.

Payroll

- Employees with payroll responsibility are required to take vacations and other employees will be trained to perform those functions during times of vacation, hospitalization, sickness, or turnover, etc.

Accounting Manual

- SCTC management is creating a formal accounting manual documenting the procedures for fiscal operations. This will ensure that transactions are treated in a standardized manner and that proper internal controls are in place and followed. Written guidelines will be in place to establish the proper handling of transactions in accordance with management's authorization.

- Operating guidelines for fiscal activities is being prepared as part of the accounting manual including a description of each fiscal procedure for activities such as invoice paying, maintenance of accounts receivable and accounts payable subsidiary records, and payroll. Management will consider the development and incorporation of an expense allocation methodology in consultation with SCTC's accounting firm.

Budget

- Management has tested a working budget for FY '06 from which program planning can be better facilitated on a month-to-month basis. SCTC's Board of Directors will be presented copies on or before the annual meeting for their review and a progress update at subsequent meetings.

General Items

- Management is looking into whether compensation to the two employees who are not participating in the health care plan needs to have taxes withheld. Initial information suggests that it depends on which retirement/savings vehicle the employee elects to have the funds deposited in (e.g. a Roth is not taxed upfront).

- A loan reserve account line item will be set up in our accounting system to reflect the required reserve specified by Rural Development guidelines.

- Management seeks to get in writing all changes in client contracts involving hours of service to be provided. Nevertheless, experience has shown this is not necessarily binding on the part of the State.