

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND
Ann Arbor, Michigan**

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

FOR THE YEAR ENDED DECEMBER 31, 2010



**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

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INDEPENDENT AUDITOR'S REPORT

To the County Board of Commissioners
Washtenaw County Employment Training
and Community Services Fund
Ann Arbor, Michigan

We have audited the accompanying basic financial statements of the Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan, as of December 31, 2010, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Washtenaw County Employment Training and Community Services department'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Washtenaw County Employment Training and Community Services' internal control over financial reporting. Accordingly, we express no such opinion. 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.

As discussed in Note 1, the financial statements present only the Washtenaw County Employment Training and Community Services Fund and are not intended to present fairly the financial position and the changes in financial position of Washtenaw County, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan, as of December 31, 2010, and the changes in financial position 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 March 15, 2011, on our consideration of the Washtenaw County Employment Training and Community Services Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The accompanying schedule of budgetary comparison on page 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan. The combining statements presented on pages 8 thru 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards presented on Pages 19 thru 21 are presented for purposes of additional analysis as required by the 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 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.


Certified Public Accountants

March 15, 2011

BASIC FINANCIAL STATEMENTS

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**BALANCE SHEET
December 31, 2010**

ASSETS

Assets

Cash	\$ 771,694
Due from grantor agency	1,199,366
Undistributed costs	<u>35,550</u>
Total assets	<u>\$ 2,006,610</u>

LIABILITIES AND FUND BALANCE

Liabilities

Cash overdraft	\$ 748,472
Accrued liabilities	476,329
Deferred revenue	<u>328,630</u>
Total liabilities	1,553,431

Fund balance

Fund balance	<u>453,179</u>
Total liabilities and fund balance	<u>\$ 2,006,610</u>

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

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended December 31, 2010**

Revenues	
Intergovernmental	\$ 14,780,159
Other revenue	346,644
Total revenues	<u>15,126,803</u>
Expenditures	
Social services	<u>15,308,091</u>
Revenues (under) expenditures	(181,288)
Other financing sources	
Operating transfers in	<u>181,288</u>
Revenues and other sources over expenditures	-
Fund balance, beginning	<u>453,179</u>
Fund balance, ending	<u><u>\$ 453,179</u></u>

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

WASHTENAW COUNTY EMPLOYMENT TRAINING AND COMMUNITY SERVICES FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

The accounting methods and procedures adopted by the Washtenaw County Employment Training and Community Services Fund conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Washtenaw County Employment Training and Community Services Department (the "ETCS Group") is responsible for operating and/or administering various workforce development and community service grant programs for the benefit of eligible residents of Washtenaw County in accordance with the terms and provisions of the related program contracts and regulations.

Reporting Entity - These financial statements present the financial position and changes in financial position of a special revenue fund of Washtenaw County, Michigan (the "County") and are an integral part of that reporting entity. The ETCS Group is not a component unit of Washtenaw County or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting - The ETCS Group uses a fund (i.e., a separate accounting entity with self-balancing set of accounts) to report its financial position and the changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The ETCS Group is operated as a special revenue fund, a governmental fund type, which is used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). The ETCS Group considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

Short-Term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between the ETCS Group and Washtenaw County for goods provided, services rendered or the transfer of County appropriations. These receivables and payables are classified as "due from (to) other funds of Washtenaw County" on the balance sheet.

Deferred Revenue - The ETCS Group receives advances for certain grant programs. Deferred revenue is recorded for these programs to the extent that cash receipts exceed expenditures.

Budgetary Accounting - The ETCS Group's special revenue fund is under formal budgetary control and follows the County's annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America and the requirements of the various grantor agencies.

Subsequent Events - In preparing these financial statements, Washtenaw County Employment Training and Community Services department's management has evaluated events and transactions for potential recognition or disclosure through March 15, 2011, the date the financial statements were available to be issued.

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 2 - CASH:

The ETCS Group, along with the various other funds and component units of the County of Washtenaw, participates in the County's pooled cash management accounts. At December 31, 2010, the ETCS Fund had cash balance from the County's cash pool of \$23,222.

Information regarding this cash management pool is presented in the County's comprehensive annual financial report.

NOTE 3 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The ETCS Group operations are concentrated in programs that are funded by the federal and state governments. These program areas operate in a heavily regulated environment. The operations are subject to the administrative directives, rules and regulations of federal and state regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by both United States and Michigan departments. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 4 - CONTINGENT LIABILITIES:

Grants received by the ETCS Group require the fulfillment of certain conditions as set forth in the grant. Failure to fulfill the conditions could result in the return of funds to the grantor. Although there is a possibility that grant requirements have not been met, management deems the contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the granting organization to the provisions of the grant.

NOTE 5 - CONTRACT COMMITMENTS:

The ETCS Group (County) has various contracts with subrecipients (service providers) to provide program services for programs that have different year-ends than December 31, 2010. The total commitments outstanding for these programs at December 31, 2010 are \$1,712,284. There is sufficient grant funding available to cover the commitments.

REQUIRED SUPPLEMENTARY INFORMATION

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues			
Intergovernmental	\$ 16,819,514	\$ 14,780,159	\$ (2,039,355)
Other revenue	175,625	346,644	171,019
Total revenues	<u>16,995,139</u>	<u>15,126,803</u>	<u>(1,868,336)</u>
Expenditures			
Social services	<u>17,176,427</u>	<u>15,308,091</u>	<u>(1,868,336)</u>
Revenues expenditures	(181,288)	(181,288)	-
Other financing sources			
Operating transfers in	<u>181,288</u>	<u>181,288</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-
Fund balance, beginning	<u>453,179</u>	<u>453,179</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 453,179</u></u>	<u><u>\$ 453,179</u></u>	<u><u>\$ -</u></u>

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

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	Trade Act (#2300)	WIA Admin (#2310)	WIA Adult (#2320)	WIA Incumbent (#2330)
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Due from grantor agency	11,303	6,106	101,199	-
Undistributed costs	-	-	-	-
Total assets	\$ 11,303	\$ 6,106	\$ 101,199	\$ -
Liabilities				
Cash overdraft	\$ 11,215	\$ 6,106	\$ 56,000	\$ -
Accrued liabilities	88	-	22,053	-
Deferred revenue	-	-	23,146	-
Total liabilities	11,303	6,106	101,199	-
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 11,303	\$ 6,106	\$ 101,199	\$ -

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ 1,185,008	\$ 512,934	\$ 953,052	\$ 144,659
Other revenue	-	-	-	-
Total revenues	1,185,008	512,934	953,052	144,659
Expenditures				
Social services	1,185,008	512,934	953,052	144,659
Revenues under expenditures	-	-	-	-
Other financing sources				
Operating transfers in	-	-	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	WIA Youth (#2340)	WIA Dislocated (#2350)	Clearing (#2370)	Reemployment (#2380)
Assets				
Cash	\$ -	\$ 21,901	\$ 23,463	\$ -
Due from grantor agency	133,392	17,388	-	-
Undistributed costs	-	-	35,550	-
Total assets	\$ 133,392	\$ 39,289	\$ 59,013	\$ -
Liabilities				
Cash overdraft	\$ 56,497	\$ -	\$ -	\$ -
Accrued liabilities	76,895	39,289	59,013	-
Deferred revenue	-	-	-	-
Total liabilities	133,392	39,289	59,013	-
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 133,392	\$ 39,289	\$ 59,013	\$ -

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ 2,069,705	\$ 1,457,770	\$ -	\$ 33,491
Other revenue	-	-	-	-
Total revenues	2,069,705	1,457,770	-	33,491
Expenditures				
Social services	2,069,705	1,457,770	-	33,491
Revenues under expenditures	-	-	-	-
Other financing sources				
Operating transfers in	-	-	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	Scholarships (#2400)	GFGP (#2410)	JET (#2420)	One Stop Operations (#2430)
Assets				
Cash	\$ 36,159	\$ -	\$ -	\$ -
Due from grantor agency	-	-	284,276	-
Undistributed costs	-	-	-	-
Total assets	\$ 36,159	\$ -	\$ 284,276	\$ -
Liabilities				
Cash overdraft	\$ -	\$ -	\$ 145,152	\$ -
Accrued liabilities	-	-	139,124	-
Deferred revenue	36,159	-	-	-
Total liabilities	36,159	-	284,276	-
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 36,159	\$ -	\$ 284,276	\$ -

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ -	\$ 293,769	\$ 816,754	\$ 146,015
Other revenue	-	-	-	-
Total revenues	-	293,769	816,754	146,015
Expenditures				
Social services	-	293,769	816,754	146,015
Revenues under expenditures	-	-	-	-
Other financing sources				
Operating transfers in	-	-	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	WIA Incentive (#2440)	Food Stamp Emp/Trng (#2460)	Employ Service (#2490)	NPP (#2530)
Assets				
Cash	\$ -	\$ -	\$ -	\$ 3,207
Due from grantor agency	-	23,928	123,741	16,892
Undistributed costs	-	-	-	-
Total assets	\$ -	\$ 23,928	\$ 123,741	\$ 20,099
Liabilities				
Cash overdraft	\$ -	\$ -	\$ 54,067	\$ -
Accrued liabilities	-	23,928	69,674	-
Deferred revenue	-	-	-	-
Total liabilities	-	23,928	123,741	-
Fund balance	-	-	-	20,099
Total liabilities and fund balance	\$ -	\$ 23,928	\$ 123,741	\$ 20,099

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ 46,229	\$ 109,152	\$ 571,400	\$ -
Other revenue	-	-	-	-
Total revenues	46,229	109,152	571,400	-
Expenditures				
Social services	46,229	109,152	571,400	-
Revenues under expenditures	-	-	-	-
Other financing sources				
Operating transfers in	-	-	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	20,099
Fund balance, ending	\$ -	\$ -	\$ -	\$ 20,099

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	CSA Clearing (#2580)	Community Services Block Grant (#2600)	Summer Food (#2620)	Senior Nutrition (#2630)
Assets				
Cash	\$ 55,240	\$ 568,830	\$ -	\$ -
Due from grantor agency	-	21,182	-	81,003
Undistributed costs	-	-	-	-
Total assets	\$ 55,240	\$ 590,012	\$ -	\$ 81,003
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ 56,707
Accrued liabilities	-	7,000	-	24,296
Deferred revenue	55,240	149,932	-	-
Total liabilities	55,240	156,932	-	81,003
Fund balance	-	433,080	-	-
Total liabilities and fund balance	\$ 55,240	\$ 590,012	\$ -	\$ 81,003

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ -	\$ 1,486,464	\$ 116,912	\$ 726,823
Other revenue	-	-	-	265,535
Total revenues	-	1,486,464	116,912	992,358
Expenditures				
Social services	-	1,546,310	116,912	992,358
Revenues under expenditures	-	(59,846)	-	-
Other financing sources				
Operating transfers in	-	59,846	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	433,080	-	-
Fund balance, ending	\$ -	\$ 433,080	\$ -	\$ -

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	Foster Grandparent (#2650)	Emergency Services (#2680)	TEFAP (#2690)	Home Repair and Weatherize (#2700)
Assets				
Cash	\$ -	\$ 62,894	\$ -	\$ -
Due from grantor agency	9,821	1,259	10,320	353,049
Undistributed costs	-	-	-	-
Total assets	\$ 9,821	\$ 64,153	\$ 10,320	\$ 353,049
Liabilities				
Cash overdraft	\$ 2,891	\$ -	\$ 10,320	\$ 345,010
Accrued liabilities	6,930	-	-	8,039
Deferred revenue	-	64,153	-	-
Total liabilities	9,821	64,153	10,320	353,049
Fund balance	-	-	-	-
Total liabilities and fund balance	\$ 9,821	\$ 64,153	\$ 10,320	\$ 353,049

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues				
Intergovernmental	\$ 309,560	\$ 342,242	\$ 92,987	\$ 3,365,233
Other revenue	23,846	-	-	40,363
Total revenues	333,406	342,242	92,987	3,405,596
Expenditures				
Social services	393,555	403,535	92,987	3,405,596
Revenues under expenditures	(60,149)	(61,293)	-	-
Other financing sources				
Operating transfers in	60,149	61,293	-	-
Revenues and other sources over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**WASHTENAW COUNTY
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

COMBINING BALANCE SHEET (by program) December 31, 2010	Maximus (#2710)	Total
Assets		
Cash	\$ -	\$ 771,694
Due from grantor agency	4,507	1,199,366
Undistributed costs	-	35,550
Total assets	\$ 4,507	\$ 2,006,610
Liabilities		
Cash overdraft	\$ 4,507	\$ 748,472
Accrued liabilities	-	476,329
Deferred revenue	-	328,630
Total liabilities	4,507	1,553,431
Fund balance	-	453,179
Total liabilities and fund balance	\$ 4,507	\$ 2,006,610

**COMBINING STATEMENT OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (by program)
For the Year Ended December 31, 2010**

Revenues		
Intergovernmental	\$ -	\$ 14,780,159
Other revenue	16,900	346,644
Total revenues	16,900	15,126,803
Expenditures		
Social services	16,900	15,308,091
Revenues under expenditures	-	(181,288)
Other financing sources		
Operating transfers in	-	181,288
Revenues and other sources over expenditures	-	-
Fund balance, beginning	-	453,179
Fund balance, ending	\$ -	\$ 453,179

**SUPPLEMENTARY INFORMATION
ON FEDERAL AWARDS**

**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 County Board of Commissioners of
Washtenaw County Employment Training and
Community Services Fund
Ann Arbor, Michigan

We have audited the financial statements of Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 15, 2011. 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 the Washtenaw County Employment Training and Community Services Fund's 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 the Washtenaw County Employment Training and Community Services Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washtenaw County Employment Training and Community Services Fund's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 Washtenaw County Employment Training and Community Services Fund's 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*.

We noted a certain matter that we reported to management of Washtenaw County Employment Training and Community Services Fund in a separate letter dated March 15, 2011.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners, and the 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.



Certified Public Accountants

March 15, 2011

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Board of Commissioners
Washtenaw County Employment Training and
Community Services Fund
Ann Arbor, Michigan

Compliance

We have audited Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washtenaw County Employment Training and Community Services Fund's major federal programs for the year ended December 31, 2010. Washtenaw County Employment Training and Community Services Fund's 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 Washtenaw County Employment Training and Community Services Fund's management. Our responsibility is to express an opinion on Washtenaw County Employment Training and Community Services Fund'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; 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 Washtenaw County Employment Training and Community Services Fund'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 Washtenaw County Employment Training and Community Services Fund's compliance with those requirements.

In our opinion Washtenaw County Employment Training and Community Services Fund, 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, 2010.

Internal Control Over Compliance

Management of Washtenaw County Employment Training and Community Services Fund 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 Washtenaw County Employment Training and Community Services Fund's internal control over compliance with 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 the Washtenaw County Employment Training and Community Services Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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. 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 Board of Commissioners, and the 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.



Certified Public Accountants

March 15, 2010

**WASHTENAW COUNTY, MICHIGAN
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	Catalogue of Federal Domestic Assistance	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed-through Area Agency on Aging 1-B - Food Distribution - Senior Nutrition Program	10.555	\$ <u>128,594</u>
Passed-through Michigan Department of Energy, Labor and Economic Growth - State Administration Matching Grants for Food Stamp Program	10.561	<u>109,152</u>
Passed-through Michigan Department of Education - Summer Food Service Program for Children	10.559	116,912
Emergency Food Assistance Program:		
Commodities	10.569	299,609
Administration	10.568	48,636
ARRA - Administration	10.568	<u>44,351</u>
		<u>509,508</u>
Total U.S. Department of Agriculture		<u>747,254</u>

**WASHTENAW COUNTY, MICHIGAN
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	Catalogue of Federal Domestic <u>Assistance</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF LABOR		
Passed-through Michigan Department of Energy, Labor and Economic Growth -		
Employment Services	17.207	\$ 571,400
ARRA - Reemployment Services Initiative	17.207	33,491
Trade Adjustment Assistance	17.245	1,185,008
Workforce Investment Act:		
Adult Programs	17.258	1,037,376
Youth Activities	17.259	2,050,113
Dislocated Workers	17.260	1,199,937
ARRA - Workforce Investment Act:		
Adult Programs	17.258	55,196
Youth Activities	17.259	288,647
Dislocated Workers	17.260	699,095
Total U.S. Department of Labor		<u>7,120,263</u>
U.S. DEPARTMENT OF ENERGY		
Passed-through Michigan Department of Human Services -		
Weatherization Assistance for Low-Income Persons	81.042	150,920
ARRA - Weatherization Assistance for Low-Income Persons	81.042	3,045,088
Total U.S. Department of Energy		<u>3,196,008</u>

**WASHTENAW COUNTY, MICHIGAN
EMPLOYMENT TRAINING AND
COMMUNITY SERVICES FUND**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	Catalogue of Federal Domestic Assistance	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-through Area Agency on Aging 1-B - Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	\$ 365,141
ARRA - Special Programs for the Aging: Title III, Part C - Nutrition Services - Home Delivered	93.705	14,214
Title III, Part C - Nutrition Services - Congregate	93.707	<u>28,874</u>
		<u>408,229</u>
 Passed-through Michigan Department of Human Services - Low-Income Home Energy Assistance	 93.568	 169,225
Low-Income Home Energy Assistance - Crisis Assistance	93.568	13,213
Community Services Block Grant	93.569	663,582
ARRA - Community Services Block Grant	93.710	<u>822,882</u>
		<u>1,668,902</u>
 Passed-through Michigan Department of Energy, Labor and Economic Growth - Temporary Assistance for Needy Families	 93.558	 <u>816,754</u>
 Total U.S. Department of Health and Human Services		 <u>2,893,885</u>
 CORPORATION FOR NATIONAL SERVICE		
Direct Program - Foster Grandparent Program	94.011	<u>299,821</u>
 TOTAL FEDERAL AWARDS		 <u><u>\$ 14,257,231</u></u>

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Washtenaw County Employment Training and Community Services Fund and is presented on the same basis of accounting as the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

For the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Washtenaw County Employment Training and Community Services Fund provided federal awards to subrecipients as follows:

Program	Amount
Employment Services	\$ 395,562
Food Stamp Program Emp/Trng	108,821
Temporary Assistance to Needy Families TANF	802,869
Workforce Investment Act	1,471,740
Community Services Block Grant	<u>436,620</u>
Total	<u>\$ 3,215,612</u>

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The following schedule reconciles the intergovernmental revenue reported on the December 31, 2010 financial statements to the federal award expenditures reported in the Schedule of Expenditures of Federal Awards:

Revenue per Financial Statements –	
Intergovernmental	\$ 14,780,159
Add – Commodities	299,609
Less – State	<u>(822,537)</u>
Total Federal Award Expenditures	<u>\$ 14,257,231</u>

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AWARD
EXPENDITURES:**

The following is a summary of ARRA Award Expenditures as reported in the Statement of Expenditures of Federal Awards:

CFDA #10.568	Emergency Food Assistance Program	\$ 44,351
CFDA #17.207	Reemployment Services Initiative	33,491
CFDA #17.258, 17.259, 17.260	Workforce Investment Act (WIA)	1,042,938
CFDA #81.042	Weatherization Assistance for Low Income Persons	3,045,088
CFDA #93.705	Special Programs for the Aging – Nutrition Services – Home Delivered	14,214
CFDA #93.707	Nutrition Services – Congregate	28,874
CFDA #93.710	Community Services Block Grant	<u>822,882</u>
		<u>\$ 5,031,838</u>

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:
 Material weakness(es) identified? _____ yes x no
 Significant deficiency(ies) that are not
 considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
 statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes x no
 Significant deficiency(ies) that are not
 considered to be material weaknesses? _____ yes x none reported

Type of auditor’s report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section 510(a)? _____ yes x no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA # 81.042	Weatherization
CFDA # 93.569, 93.710	Community Services Block Grant
CFDA # 93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish
 between Type A and Type B programs: \$427,717

Auditee qualified as low-risk auditee? x yes _____ no

**WASHTENAW COUNTY EMPLOYMENT TRAINING
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section II – Financial Statement Findings:

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs:

There was no Federal Award Finding and Questioned Costs required to be reported in accordance with Section 510(a) of Circular A-133.

Section IV – Previous Year Findings:

There were no financial statement findings or Federal Award Findings and Questioned Costs in the previous year.

AUDIT COMMUNICATION LETTER

March 15, 2011

Ms. Verna McDaniel, County Administrator
Washtenaw County Employment Training
and Community Services Fund
Ann Arbor, Michigan

We have audited the financial statements of the Washtenaw County Employment Training and Community Services Fund, a Special Revenue Fund of Washtenaw County, Ann Arbor, Michigan, for the year ended December 31, 2010, and have issued our report thereon dated March 15, 2011. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated January 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Items

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Washtenaw County Employment Training and Community Services Fund 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 the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates that significantly affect the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the County that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, have a significant effect on County's financial reporting process for the Washtenaw County Employment Training and Community Services Fund.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2011.

Management Consultations with Other Independent Accountants

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

Summary of Auditors Results Related to the Single Audit

The programs tested as major programs were:

CFDA #81.042	Weatherization
CFDA #93.569/93.710	Community Services Block Grant Cluster
CFDA #93.558	Temporary Assistance for Needy Families

American Recovery and Reinvestment Act (ARRA) award dollars presented on the Schedule of Expenditures of Federal Award is \$5,031,838.

An unqualified opinion on compliance for the major programs was issued.

Other Audit Observations or Items

In the Report On Internal Control Over Financial Reporting and On Compliance and Other Matters, we noted no deficiencies in internal control over financial reporting that we consider to be material deficiencies.

In addition to the Report On Internal Control Over Financial Reporting and On Compliance and Other Matters we noted one item that, although not considered a significant deficiency, could improve controls, the operation efficiency and/or compliance with laws and regulations. The item is discussed in Attachment A.

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

We would like to commend management and staff on the assistance provided to us during the audit.

This information is intended solely for the use of the Washtenaw County Employment Training and Community Services Fund, Ann Arbor, Michigan and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Stewart, Beauvais & Whipple

Attachment A

The following item we discussed with administration that is not considered a significant deficiency; however, could improve controls, the operational efficiency of the accounting department and/or compliance with laws and regulations:

Subrecipient Monitoring

We noted during our audit of the compliance requirement of subrecipient monitoring for the Community Services Block Grant Program that all subrecipients were not monitored for fiscal (financial) grant activities during the program year.

The management of the Washtenaw County Employment Training and Community Services Fund has a fiscal monitoring policy in place that all subrecipients will receive on site fiscal monitoring during the program year.

Through discussions with management, the subrecipients of the Community Services Block Grant Program will be monitored for fiscal activities during site visits scheduled in 2011.

We recommend that the management of the Washtenaw County Employment Training and Community Services Fund strengthen control procedures so that all subrecipients are identified during a specified program period for the monitors through inquiry of program directors with added emphasis on new contracts received to ensure all subrecipients are timely identified and monitored to ensure compliance with laws, regulations, and the provisions of contracts or grant agreements in the future.