

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

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

FOR THE YEAR ENDED DECEMBER 31, 2011



**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 and for the year ended December 31, 2011, 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 Fund's 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 the Washtenaw County Employment Training and Community Services Fund, a special revenue fund of Washtenaw County, Michigan, as of December 31, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended December 31, 2011, as discussed in Note 1, the Washtenaw County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result the fund balance classifications for the Washtenaw County Employment Training and Community Services Fund have been changed to reflect the new classifications for governmental funds required under this statement.

In accordance with **Government Auditing Standards**, we have also issued our report, dated March 28, 2012, 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 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.

Accounting principles generally accepted in the United States of America requires that the budgetary comparison information on page 8 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Washtenaw County Employment Training and Community Service Fund's basic financial statements. The combining (by program) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is also not a required part of the basic financial statements. The combining (by program) schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stewart Beauvais & Whipple, P.C.
Certified Public Accountants

March 28, 2012

BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
December 31, 2011**

ASSETS

Assets	
Cash	\$ 879,932
Due from grantor agency	1,830,132
Undistributed costs	<u>8,064</u>
Total assets	<u><u>\$ 2,718,128</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Cash overdraft	\$ 1,111,807
Accrued liabilities	608,940
Deferred revenue	<u>349,566</u>
Total liabilities	<u><u>2,070,313</u></u>
Fund balance	
Restricted	20,099
Committed	<u>627,716</u>
Total fund balance	<u><u>647,815</u></u>
Total liabilities and fund balance	<u><u>\$ 2,718,128</u></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, 2011**

Revenues	
Intergovernmental	\$ 11,373,774
Other revenue	261,437
Total revenues	<u>11,635,211</u>
Expenditures	
Social services	<u>11,708,063</u>
Revenues (under) expenditures	(72,852)
Other financing sources	
Operating transfers in	<u>267,488</u>
Revenues and other sources over expenditures	194,636
Fund balance, beginning	<u>453,179</u>
Fund balance, ending	<u><u>\$ 647,815</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, 2011**

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 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 the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year.

Fund Balance and Accounting Change - The ETCS Group adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* as of December 31, 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The ETCS Group reported fund balances in the following classifications due to the implementation of GASB No. 54:

Restricted fund balance - Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments.

Committed fund balance - Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the County Board of Commissioners; a formal resolution of the County Board of Commissioners is required to establish, modify, or rescind a fund balance commitment.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

When different classifications of fund balance are present, it is the ETCS Group's policy that expenditures are to be spent from restricted fund balance first.

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.

Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

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, 2011, the ETCS Fund had a net negative cash balance within the County's cash pool of \$(231,875). The amount is considered a short-term borrowing from the County and will be repaid when the reimbursements from grant programs are received.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011. The total commitments outstanding for these programs at December 31, 2011 are \$1,739,522. There is sufficient grant funding available to cover the commitments.

NOTE 6 - RISK MANAGEMENT:

The ETCS Group is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established internal service funds to account for and finance its uninsured risks of loss. Under this program, the internal service funds provide coverage up to a maximum of \$350,000 for each general liability, police liability or property claim, with no loss fund. The internal service funds also provide coverage up to \$350,000 for any settlement, with all attorney fees being covered under the insurance policy for public officials and employee liability claims, up to \$400,000 for each worker's compensation claim, and up to \$250,000 for each professional liability claim. The County purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss.

The ETCS Group participates in the County risk management program and makes payments to the internal service funds based on rates established to fund estimated actual liabilities. The County has estimated its ultimate liability based upon estimates of known claims and actuarial based computations of incurred but not reported claims. The claims liability is presented at its net present value using an annual discount rate of 6%. The ETCS Group's claims liability for December 31, 2010 and 2011 and the estimates for claims and payments of claim activity for 2011 are not available.

Information regarding this risk management program and the disclosures required under GASB Statement No. 10, as amended, for the County program as a whole is presented in the County's comprehensive annual financial report.

Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues			
Intergovernmental	\$ 13,940,492	\$ 11,373,774	\$ (2,566,718)
Other revenue	175,625	261,437	85,812
Total revenues	<u>14,116,117</u>	<u>11,635,211</u>	<u>(2,480,906)</u>
Expenditures			
Social services	<u>14,383,605</u>	<u>11,708,063</u>	<u>(2,675,542)</u>
Revenues (under) expenditures	(267,488)	(72,852)	194,636
Other financing sources			
Operating transfers in	<u>267,488</u>	<u>267,488</u>	<u>-</u>
Revenues and other sources over expenditures	-	194,636	194,636
Fund balance, beginning	<u>453,179</u>	<u>453,179</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 453,179</u></u>	<u><u>\$ 647,815</u></u>	<u><u>\$ 194,636</u></u>

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

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

	Trade Act (#2300)	WIA Admin (#2310)	WIA Adult (#2320)	WIA Incumbent (#2330)
COMBINING BALANCE SHEET (By Program)				
December 31, 2011				
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Due from grantor agency	39,966	44,477	121,751	115,480
Undistributed costs	-	-	-	-
Total assets	\$ 39,966	\$ 44,477	\$ 121,751	\$ 115,480
Liabilities				
Cash overdraft	\$ 39,837	\$ 44,477	\$ 59,791	\$ 115,480
Accrued liabilities	129	-	48,989	-
Deferred revenue	-	-	12,971	-
Total liabilities	39,966	44,477	121,751	115,480
Fund Balance				
Restricted	-	-	-	-
Committed	-	-	-	-
Total Fund Balance	-	-	-	-
Total liabilities and fund balance	\$ 39,966	\$ 44,477	\$ 121,751	\$ 115,480

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues				
Intergovernmental	\$ 870,033	\$ 332,257	\$ 840,185	\$ 115,480
Other revenue	-	-	-	-
Total revenues	870,033	332,257	840,185	115,480
Expenditures				
Social services	870,033	332,257	840,185	115,480
Revenues (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

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

	WIA Youth (#2340)	WIA Dislocated (#2350)	Clearing (#2370)
COMBINING BALANCE SHEET (By Program)			
December 31, 2011			
Assets			
Cash	\$ -	\$ -	\$ 127,160
Due from grantor agency	409,035	170,905	-
Undistributed costs	-	-	8,064
Total assets	\$ 409,035	\$ 170,905	\$ 135,224
Liabilities			
Cash overdraft	\$ 310,140	\$ 97,446	\$ -
Accrued liabilities	98,895	73,459	135,224
Deferred revenue	-	-	-
Total liabilities	409,035	170,905	135,224
Fund Balance			
Restricted	-	-	-
Committed	-	-	-
Total Fund Balance	-	-	-
Total liabilities and fund balance	\$ 409,035	\$ 170,905	\$ 135,224

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues			
Intergovernmental	\$ 1,520,380	\$ 1,122,358	\$ -
Other revenue	-	-	-
Total revenues	1,520,380	1,122,358	-
Expenditures			
Social services	1,520,380	1,122,358	-
Revenues (under) expenditures	-	-	-
Other financing sources (uses)			
Operating transfers in (out)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Fund balance, beginning	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -

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

	Reemployment (#2380)	Scholarships (#2400)	GFGP (#2410)	JET (#2420)
COMBINING BALANCE SHEET (By Program)				
December 31, 2011				
Assets				
Cash	\$ -	\$ 36,159	\$ -	\$ -
Due from grantor agency	-	-	-	324,050
Undistributed costs	-	-	-	-
Total assets	\$ -	\$ 36,159	\$ -	\$ 324,050
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ 261,244
Accrued liabilities	-	-	-	62,806
Deferred revenue	-	36,159	-	-
Total liabilities	-	36,159	-	324,050
Fund Balance				
Restricted	-	-	-	-
Committed	-	-	-	-
Total Fund Balance	-	-	-	-
Total liabilities and fund balance	\$ -	\$ 36,159	\$ -	\$ 324,050

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues				
Intergovernmental	\$ 19,620	\$ -	\$ 235,455	\$ 1,325,000
Other revenue	-	-	-	-
Total revenues	19,620	-	235,455	1,325,000
Expenditures				
Social services	19,620	-	235,455	1,325,000
Revenues (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

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

	One Stop Operations (#2430)	WIA Incentive (#2440)	Food Stamp Emp/Trng (#2460)	Employ Service (#2490)
COMBINING BALANCE SHEET (By Program)				
December 31, 2011				
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Due from grantor agency	-	-	25,132	158,648
Undistributed costs	-	-	-	-
Total assets	\$ -	\$ -	\$ 25,132	\$ 158,648
Liabilities				
Cash overdraft	\$ -	\$ -	\$ 14,974	\$ 96,071
Accrued liabilities	-	-	10,158	62,577
Deferred revenue	-	-	-	-
Total liabilities	-	-	25,132	158,648
Fund Balance				
Restricted	-	-	-	-
Committed	-	-	-	-
Total Fund Balance	-	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ 25,132	\$ 158,648

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues				
Intergovernmental	\$ 119,808	\$ 43,131	\$ 140,687	\$ 563,056
Other revenue	-	-	-	-
Total revenues	119,808	43,131	140,687	563,056
Expenditures				
Social services	119,808	43,131	140,687	563,056
Revenues (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

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

	NPP (#2530)	CSA Clearing (#2580)	Services Block Grant (#2600)	Summer Food (#2620)
COMBINING BALANCE SHEET (By Program)				
December 31, 2011				
Assets				
Cash	\$ 2,134	\$ 55,240	\$ 645,216	\$ -
Due from grantor agency	17,965	-	21,182	-
Undistributed costs	-	-	-	-
Total assets	\$ 20,099	\$ 55,240	\$ 666,398	\$ -
Liabilities				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	17,500	-
Deferred revenue	-	55,240	21,182	-
Total liabilities	-	55,240	38,682	-
Fund Balance				
Restricted	20,099	-	-	-
Committed	-	-	627,716	-
Total Fund Balance	20,099	-	627,716	-
Total liabilities and fund balance	\$ 20,099	\$ 55,240	\$ 666,398	\$ -

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues				
Intergovernmental	\$ -	\$ -	\$ 608,234	\$ 70,091
Other revenue	-	-	-	-
Total revenues	-	-	608,234	70,091
Expenditures				
Social services	-	-	617,206	70,091
Revenues (under) expenditures	-	-	(8,972)	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	203,608	-
Revenues and other sources over (under) expenditures	-	-	194,636	-
Fund balance, beginning	20,099	-	433,080	-
Fund balance, ending	\$ 20,099	\$ -	\$ 627,716	\$ -

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

	Senior Nutrition (#2630)	Foster Grandparent (#2650)	Emergency Services (#2680)	TEFAP (#2690)
COMBINING BALANCE SHEET (By Program)				
December 31, 2011				
Assets				
Cash	\$ -	\$ -	\$ 14,023	\$ -
Due from grantor agency	116,669	19,821	-	-
Undistributed costs	-	-	-	-
Total assets	\$ 116,669	\$ 19,821	\$ 14,023	\$ -
Liabilities				
Cash overdraft	\$ 33,596	\$ 3,691	\$ -	\$ -
Accrued liabilities	83,073	16,130	-	-
Deferred revenue	-	-	14,023	-
Total liabilities	116,669	19,821	14,023	-
Fund Balance				
Restricted	-	-	-	-
Committed	-	-	-	-
Total Fund Balance	-	-	-	-
Total liabilities and fund balance	\$ 116,669	\$ 19,821	\$ 14,023	\$ -

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)**
For the Year Ended December 31, 2011

Revenues				
Intergovernmental	\$ 793,916	\$ 308,778	\$ 321,512	\$ 46,705
Other revenue	232,051	20,353	-	-
Total revenues	1,025,967	329,131	321,512	46,705
Expenditures				
Social services	1,025,967	339,280	375,243	46,705
Revenues (under) expenditures	-	(10,149)	(53,731)	-
Other financing sources (uses)				
Operating transfers in (out)	-	10,149	53,731	-
Revenues and other sources over (under) expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

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

	Repair and Weatherize (#2700)	Maximus (#2710)	Total
COMBINING BALANCE SHEET (By Program) December 31, 2011			
Assets			
Cash	\$ -	\$ -	\$ 879,932
Due from grantor agency	245,051	-	1,830,132
Undistributed costs	-	-	8,064
Total assets	\$ 245,051	\$ -	\$ 2,718,128
Liabilities			
Cash overdraft	\$ 35,060	\$ -	\$ 1,111,807
Accrued liabilities	-	-	608,940
Deferred revenue	209,991	-	349,566
Total liabilities	245,051	-	2,070,313
Fund Balance			
Restricted	-	-	20,099
Committed	-	-	627,716
Total Fund Balance	-	-	647,815
Total liabilities and fund balance	\$ 245,051	\$ -	\$ 2,718,128

**COMBINING SCHEDULE OF
REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (By Program)
For the Year Ended December 31, 2011**

Revenues			
Intergovernmental	\$ 1,977,088	\$ -	\$ 11,373,774
Other revenue	696	8,337	261,437
Total revenues	1,977,784	8,337	11,635,211
Expenditures			
Social services	1,977,784	8,337	11,708,063
Revenues (under) expenditures	-	-	(72,852)
Other financing sources (uses)			
Operating transfers in (out)	-	-	267,488
Revenues and other sources over (under) expenditures	-	-	194,636
Fund balance, beginning	-	-	453,179
Fund balance, ending	\$ -	\$ -	\$ 647,815

**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 basic 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, 2011, and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 the 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 the Washtenaw County Employment Training and Community Services Fund in a separate letter dated March 28, 2012.

This report is intended solely for the information and use of 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.

Stewart Beauvais & Whipple, PC.
Certified Public Accountants

March 28, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON 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's compliance with the types of compliance requirements described in the **OMB Circular A-133 Compliance Supplement** that could have a direct and material effect on each of Washtenaw County Employment Training and Community Services Fund's major federal programs for the year ended December 31, 2011. 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 the Washtenaw County Employment Training and Community Services Fund's management. Our responsibility is to express an opinion on the 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 the Washtenaw County Employment Training and Community Services Fund's compliance with those requirements.

In our opinion the 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, 2011.

Internal Control Over Compliance

Management of the 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 the 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 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.

Stewart Beauvais & Whipple, PC.
Certified Public Accountants

March 28, 2012

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

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

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	<u>Catalogue of Federal Domestic Assistance</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed-through Area Agency on Aging 1-B - Food Distribution - Senior Nutrition Program	10.555	\$ <u>117,736</u>
Passed-through Michigan Strategic Fund / Workforce Development Agency: State Administration Matching Grants for Food Stamp Program	10.561	<u>140,687</u>
Passed-through Michigan Department of Education: Summer Food Service Program for Children	10.559	70,091
Emergency Food Assistance Program: Commodities	10.569	215,652
Administration	10.568	<u>46,705</u>
		<u>332,448</u>
Total U.S. Department of Agriculture		<u>590,871</u>

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

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

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	<u>Catalogue of Federal Domestic Assistance</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF LABOR		
Passed-through Michigan Strategic Fund / Workforce Development Agency:		
Employment Services	17.207	\$ 486,310
ARRA - Reemployment Services	17.207	19,620
ARRA - Career Readiness Certificate	17.207	76,746
Trade Adjustment Assistance	17.245	870,033
Workforce Investment Act:		
Adult Programs	17.258	593,576
Youth Activities	17.259	1,524,789
Dislocated Workers	17.278	983,381
ARRA - Workforce Investment Act:		
Adult Programs	17.258	248,389
Youth Activities	17.259	279,107
Dislocated Workers	17.278	<u>523,942</u>
		<u>5,605,893</u>
Passed-through Macomb/St. Clair Michigan Works!		
H-1B Job Training Grants - Older Worker Initiative	17.268	<u>14,000</u>
Total U.S. Department of Labor		<u><u>5,619,893</u></u>
U.S. DEPARTMENT OF ENERGY		
Passed-through Michigan Department of Human Services -		
Weatherization Assistance for Low-Income Persons	81.042	378,463
ARRA - Weatherization Assistance for Low-Income Persons	81.042	<u>1,325,427</u>
Total U.S. Department of Energy		<u><u>1,703,890</u></u>

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

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

<u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u>	<u>Catalogue of Federal Domestic Assistance</u>	<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	\$ <u>528,318</u>
Passed-through Michigan Department of Human Services:		
Low-Income Home Energy Assistance	93.568	273,198
Low-Income Home Energy Assistance - Crisis Assistance	93.568	21,606
Community Services Block Grant	93.569	<u>608,234</u>
		<u>903,038</u>
Passed-through Michigan Strategic Fund / Workforce Development Agency:		
Temporary Assistance for Needy Families	93.558	<u>1,251,415</u>
Total U.S. Department of Health and Human Services		<u>2,682,771</u>
CORPORATION FOR NATIONAL SERVICE		
Direct Program - Foster Grandparent Program	94.011	<u>299,821</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 10,897,246</u></u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	\$ 510,556
Food Stamp Program Emp/Trng	115,462
Temporary Assistance to Needy Families TANF	781,228
Workforce Investment Act	<u>1,144,866</u>
Total	<u><u>\$ 2,552,112</u></u>

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

The following schedule reconciles the intergovernmental revenue reported on the December 31, 2011 financial statements to the federal award expenditures reported in the Schedule of Expenditures of Federal Awards:

Revenue per Financial Statements –	
Intergovernmental	\$ 11,373,774
Add – Commodities	215,652
Less – State	(692,180)
Total Federal Award Expenditures	<u><u>\$ 10,897,246</u></u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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 #17.207	Reemployment Services	\$ 19,620
CFDA #17.207	Career Readiness Certificate	76,746
CFDA #17.258, 17.259, 17.278	Workforce Investment Act (WIA)	1,051,438
CFDA #81.042	Weatherization Assistance for Low-Income Persons	<u>1,325,427</u>
		<u>\$ 2,473,231</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 # 17.245	Trade Adjustment Assistance
CFDA # 17.258, 17.259, 17.278	Workforce Investment Act Cluster
CFDA # 81.042	Weatherization

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 326,917

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, 2011**

Section II – Financial Statement Findings:

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs:

There was no Federal Award Findings 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 28, 2012

To the County Board of Commissioners
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, Michigan, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 28, 2012. 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 31, 2012. 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. The ETCS Group implemented GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The effect of the implementation resulted in a change in the terminology relating to the categorization of governmental fund balances based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources. 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 ETCS Group 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 the 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 28, 2012.

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 # 17.245	Trade Adjustment Assistance
CFDA # 17.258, 17.259, 17.278	Workforce Investment Act Cluster
CFDA #81.042	Weatherization

American Recovery and Reinvestment Act (ARRA) award dollars presented on the Schedule of Expenditures of Federal Award is \$2,473,231.

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, PC.

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:

We noted several instances where expenditures were coded to the incorrect general ledger account during our testing of a sample of invoices for compliance with allowable cost for the WIA Cluster, which have been subsequently corrected by the auditee. It appears the invoices were properly paid, except for one instance where the service provider may have been underpaid due to its own error on the invoice. We recommend that management review the area of processing invoices to determine what action is necessary to reduce the likelihood of errors to the coding of expenditures.