

Livingston County, Michigan

**Federal Awards
Supplemental Information
December 31, 2010**

Livingston County, Michigan

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Independent Auditor's Report

To the Board of Commissioners
Livingston County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 14, 2011. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We did not audit the financial statements of Livingston County Road Commission, whose assets and revenue totaled \$128,339,303 and \$17,306,432, respectively. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Livingston County Road Commission, is based on the report of the other auditors.

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. The financial statements of the Livingston County Road Commission were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule 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.

Plante & Moran, PLLC

June 14, 2011

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Livingston County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan (the "County") as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 14, 2011. Our report was modified to include reference to other auditors. We have 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. Other auditors audited the financial statements of the Livingston County Road Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Livingston County Road Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

To the Board of Commissioners
Livingston County, Michigan

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County, Michigan'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*.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County, officials of the State of Michigan, 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.

Plante & Moran, PLLC

June 14, 2011

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 Board of Commissioners
Livingston County, Michigan

Compliance

We have audited the compliance of Livingston County, Michigan (the "County") 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 its major federal programs for the year ended December 31, 2010. The major federal programs of the County 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 County's management. Our responsibility is to express an opinion on the County'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 Livingston County, Michigan'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 Livingston County, Michigan's compliance with those requirements.

In our opinion, Livingston County, Michigan 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.

To the Board of Commissioners
Livingston County, Michigan

Internal Control Over Compliance

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

Plante & Moran, PLLC

June 14, 2011

Livingston County, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
WIA Cluster - U.S. Department of Labor - Passed through the Michigan		
Department of Energy, Labor, and Economic Growth:		
WIA Adult Program	17.258	\$ 392,860
WIA Youth Program	17.259	472,617
WIA Dislocated Workers	17.260	453,201
WIA Rapid Response - Incumbant Workers	17.260	21,774
WIA Statewide Activities - One Stop Operations	17.260	54,701
WIA State Wide Activities - Jet Support	17.260	14,702
WIA Statewide Activities - Performance Program	17.258/17.259/17.260	12,969
WIA Local Administration - 6/30/10 program	17.258/17.259/17.260	26,398
WIA Local Administration - 6/30/09 program	17.258/17.259/17.260	95,347
WIA State Wide Activities - NCRC	17.258/17.259/17.260	22,401
ARRA - WIA - Youth	17.259	64,671
ARRA - WIA Dislocated	17.260	270,180
ARRA - NEG Dislocated	17.260	621,841
ARRA - Michigan Registered Apprenticeship Pilot	17.258/17.259/17.260	3,000
ARRA - WIA Statewide Activities Efficiency	17.258/17.259/17.260	5,001
ARRA - Capacity	17.258/17.259/17.261	23,520
ARRA - WIA Administration	17.258/17.259/17.260	<u>78,831</u>
Total WIA Cluster		2,634,014
Employment Service Cluster - U.S. Department of Labor - Passed through the Michigan		
Department of Energy, Labor, and Economic Growth:		
Wagner-Peyser Act ES 7A - 6/30/10 program	17.207	21,114
Wagner-Peyser Act ES 7A - 6/30/11 program	17.207	96,675
Wagner-Peyser Act ES 7A - 6/30/12 program	17.207	95,688
Wagner-Peyser 7(a) NCRC	17.207	9,543
ARRA - Employment Services NCRC	17.207	11,625
ARRA - Re-employment Service Case Management	17.207	12,180
ARRA - Re-employment Services	17.207	<u>155,244</u>
Total Employment Service Cluster		402,069
Highway Safety Cluster - U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety and Planning -		
Drive MI Safely - State and Community Highway Safety	20.600	5,379
Federal Transit Cluster - U.S. Department of Transportation:		
Federal Section 5307 Operating Assistance - 2010	20.507	899,983
Federal Section 5307 Capital Assistance - 2004	20.507	35,299
Federal Section 5307 Capital Assistance - 2005	20.507	15,137
Federal Section 5307 P/M - Capital Maintenance - 2010	20.507	228,464
ARRA - Federal Section 5307 Capital Assistance - 2009	20.507	<u>535,566</u>
Total Federal Transit Cluster		1,714,449

See Note to Schedule of Expenditures of Federal Awards.

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters (Continued):		
Transit Services Program Cluster - U.S. Department of Transportation:		
Federal Section 5307 Operating Assistance - 2009 - JARC	20.516	\$ 25,297
Federal Section 5307 Capital Assistance - 2009 - JARC	20.516	<u>59,324</u>
Total Transit Services Cluster		84,621
Immunization Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Immunization Grants	93.268	312,261
ARRA - Immunization Grants	93.712	<u>75,263</u>
Total Immunization Cluster		387,524
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Medicaid Outreach Activities	93.778	78,771
CSHCS - Care Coordination	93.778	19,290
CSHCS - Case Management	93.778	<u>3,024</u>
Total Medicaid Cluster		101,085
TANF Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan - Michigan Department of Energy, Labor and Economic Growth:		
TANF - Jet - 9/30/2010 program	93.558	141,356
TANF - Jet - 9/30/2011 program	93.558	40,795
TANF - Support Services	93.558	<u>40,000</u>
Total TANF Cluster		222,151
Homeland Security Cluster - U.S. Department of Homeland Security - Passed through the Michigan State Police Homeland Security Grant Program		
	97.067	381,670
Vocational Rehabilitation Cluster - U.S. Department of Education - Passed through Michigan Rehabilitation Services - Vocational Rehab Services		
	84.126	1,440
CDBG - State Administered Small Cities Program Cluster - U.S. Department of Housing and Urban Development - Passed through the Michigan State Housing Development Authority - Community Development Block Grant/ States Program		
	14.228	74,896
Other federal awards:		
U.S. Department of Labor - Passed through the Michigan Department of Energy, Labor, and Economic Growth:		
Wagner-Peyser Trade Adjustment Assistance - 9/30/09 program	17.245	1,776,816
Wagner-Peyser Trade Adjustment Assistance - 9/30/10 program	17.245	161,106
Trade Adjustment Assistance Capacity	17.245	<u>1,500</u>
Total passed through the Michigan Department of Energy, Labor, and Economic Growth		1,939,422

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal awards (Continued):		
U.S. Department of Labor - Passed through Macomb - St. Clair Michigan Works ARRA - Aging Initiative	17.268	\$ <u>5,052</u>
Total U.S. Department of Labor		1,944,474
U.S. Department of Agriculture - Passed through State of Michigan Department of Health Special Supplemental Food Program for Women, Infants, and Children	10.557	285,840
U.S. Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant	81.128	11,009
U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Bioterrorism Pan Flu H1N1	93.069	339,367
H1N1 Vaccine	93.069	225,366
Bioterrorism- Focus A & CRI	93.283	216,255
Child Support Enforcement - Cooperative Agreement	93.563	1,041,509
Family Support - Cooperative Agreement	93.563	161,621
CSHCS	93.994	47,280
Maternal and Child Health Services	93.994	39,491
ARRA - Tobacco	93.723	<u>32,862</u>
Total passed through the Michigan Department of Community Health		2,103,751
U.S. Department of Homeland Security - Passed through Michigan State Police Emergency Management Performance Grant (EMPG)	97.042	74,574
U.S. Department of Justice:		
Federal Equitable Share Funds	Unknown	168,267
Supervised Visitation & Safe Exchange Grant Program	16.527	51,239
ARRA - Recovery Act Edward Byrne Memorial Justice Assistance Grant - Formula Program	16.804	22,930
Michigan Prisoner Re-entry Initiative	16.580	29,453
Passed through the Michigan Department of Community Health Bureau of Justice Assistance - Edward Bryne Memorial Justice Assistance Grant - Formula	16.738	<u>76,400</u>
Total U.S. Department of Justice		348,289
U.S. Environmental Protection Agency - Passed through the Michigan Department of Environmental Quality:		
ARRA - TMDL Implementation	66.454	33,563
Noncommercial Water Supply Grant	66.471	24,974
Noncommercial Water Supply Grant	66.468	<u>600</u>
Total U.S. Environmental Protection Agency		59,137
U.S. Federal Aviation Administration, Department of Transportation - Passed through the Michigan Department of Transportation - Airport Improvement Program	20.106	<u>277,862</u>
Total federal awards		<u>\$ 11,114,234</u>

Livingston County, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Livingston County, Michigan under programs of the federal government for the year ended December 31, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87 wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Livingston County, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Livingston County, Michigan. Pass-through entity identifying numbers are presented where available.

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 Section 510(a) of Circular A-133?

Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
17.258, 17.259, 17.260	Workforce Investment Act Cluster
17.207	Employment Services Cluster
93.268, 93.712	Immunization Cluster
20.507	Federal Transit Cluster
93.563	Child Support Enforcement
97.067	Homeland Security Cluster
93.069	Public Health Emergency Preparedness

Dollar threshold used to distinguish between type A and type B programs: \$333,427

Auditee qualified as low-risk auditee? Yes No

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section II - Financial Statement Audit Findings

Reference Number	Finding
2010-1	<p>Finding Type - Material weakness</p> <p>Criteria - Generally accepted accounting principles require that when it is likely that not all amounts recorded as receivable will be collected, that an estimated allowance is recorded to reduce the receivable and write off the loss.</p> <p>Condition - A large write-off occurred in the current year for the 2007 Delinquent Tax Revolving Fund due to losses that occurred at tax sale. No allowance was recorded for future sales in the 2006, 2007, 2008, or 2009 delinquent tax funds.</p> <p>Context - The Delinquent Tax Revolving Fund records interest and fees receivable on the delinquent taxes. During 2010, the County began realizing losses on these receivables after the tax sales occurred. While losses occurred on the properties that went to tax sale in 2010, no allowance was recorded on the remaining receivables. The client prepared an estimate adjustment totaling \$1,539,562.</p> <p>Cause - The County did not write anything off or create an allowance because it does not know the actual loss amount until the tax sale occurs.</p> <p>Effect - The accounts receivable on delinquent taxes were overstated by \$1,539,562.</p> <p>Recommendation - We recommend that all receivables relating to taxes be evaluated annually to ensure that a proper allowance is recorded.</p> <p>Views of Responsible Officials and Planned Corrective Actions - This was the first year we had to write off a substantial amount of tax administration and interest that would normally be collected here at the County. We have set up a worksheet to calculate the allowance for this year and have booked it. We will re-evaluate, write off the actual, and recalculate the allowance in the future.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2010-2	<p>Finding Type - Material weakness</p> <p>Criteria - Generally accepted accounting principles require that interest paid during construction on debt relating to that construction be capitalized as part of the asset.</p> <p>Condition - Interest was not capitalized in the Department of Public Works component unit during construction from 2003 through 2009.</p> <p>Context - A prior period adjustment was recorded to increase fixed assets by \$6,050,096 and accumulated depreciation by \$73,945.</p> <p>Cause - The County was not aware that interest paid during construction was to be capitalized.</p> <p>Effect - Fixed assets and net assets in the DPW component unit were understated by approximately \$6,000,000.</p> <p>Recommendation - Whenever debt is issued to fund construction of capitalized assets, the interest payments made during the construction process should be tracked and capitalized.</p> <p>Views of Responsible Officials and Planned Corrective Actions - When the asset was put on the books in 2008, we were not aware that the construction interest needed to be capitalized. We are aware of that requirement now and will capitalize construction interest on any future projects.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

Section II - Financial Statement Audit Findings (Continued)

<u>Reference Number</u>	<u>Finding</u>
2010-3	<p>Finding Type - Significant deficiency</p> <p>Criteria - Generally accepted accounting principles require that expenses be recorded in the period which they occur. Estimates should be made for liabilities that are known to exist.</p> <p>Condition - An invoice for expenses incurred in 2009 and 2010 was paid and expensed in 2011.</p> <p>Context - The invoice included expenses of \$227,364 that related to services provided to the County in late 2009 and 2010.</p> <p>Cause - An invoice was received by one of the departments during 2010. The department challenged portions of the invoice and waited to pay the entire amount after the entire invoice was corrected, which occurred after the 60-day cutoff period for examining invoices.</p> <p>Effect - The expenses and liabilities in the nonmajor governmental funds were understated by \$227,364</p> <p>Recommendation - We understand that the Treasurer's office sends a request to each department head at year end requesting them to report any expenditures that should be accrued. Department heads who are aware of liabilities should report these amounts to the Treasurer's office at year end so that they can be recorded.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Treasurer's office was not aware that there was a dispute of the invoice in question. The individual department directors receive the invoices at the department level. We will be more diligent in educating our department directors regarding the need to notify the Treasurer's office about disputed invoices or any other invoice accruals that occur after the 60-day window. We will also include the reminder when we send out the annual year-end e-mail regarding invoices to be accrued.</p>

Section III - Federal Program Audit Findings

<u>Reference Number</u>	<u>Finding</u>
Current Year:	None

Livingston County, Michigan

Summary Schedule of Prior Audit Findings Year Ended December 31, 2010

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2009-1	Federal Transit Cluster, CFDA #20.507	Corrected	N/A