

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Washtenaw County Community Support & Treatment Services	County Washtenaw
Audit Date 9/30/04	Opinion Date 12/27/04	Date Accountant Report Submitted to State: 2/24/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | | | |
|-------------------------------------|-----|-------------------------------------|----|---|
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**Washtenaw County
Community Support &
Treatment Services**



Community...everyone is a member.

**Financial Statements
and
Supplementary Information**

For The Year Ended September 30, 2004

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

December 17, 2004

To the Washtenaw County Board of Commissioners
Ypsilanti, Michigan

We have audited the accompanying financial statements of *Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan*, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Washtenaw County Community Support & Treatment Services' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Washtenaw County Community Support & Treatment Services Special Revenue Fund and do not purport to, and do not present fairly the financial position of Washtenaw County, Michigan, as of September 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan as of September 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Washtenaw County Community Support & Treatment Services. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

FINANCIAL STATEMENTS

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

Balance Sheet
September 30, 2004

Assets

Accounts receivable	\$ 262,261
Fees receivable, net	53,152
Due from Washtenaw Community Health Organization	553,903
Due from other governments	88,348
Due from other funds of Washtenaw County	<u>13,078</u>

Total assets \$ 970,742

Liabilities

Negative equity in pooled cash of Washtenaw County	\$ 270,273
Accounts payable	119,541
Accrued payroll	<u>497,709</u>

Total liabilities 887,523

Fund balance

Designated for indigent care	14,348
Unreserved, undesignated	<u>68,871</u>

Total fund balance 83,219

Total liabilities and fund balance \$ 970,742

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

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

**Statement of Revenue, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2004**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Intergovernmental				
Federal	\$ 670,202	\$ 680,969	\$ 720,379	\$ 39,410
State	177,495	325,957	84,251	(241,706)
Washtenaw Community Health Organizatio	15,027,129	15,701,441	15,887,200	185,759
Charges for services:				
Insurance	359,888	359,888	182,363	(177,525)
Other service fees	17,668	17,668	10,135	(7,533)
Other revenue and reimbursements				
Revenue contracts	433,804	433,804	516,145	82,341
Other	165,198	165,198	21,275	(143,923)
	16,851,384	17,684,925	17,421,748	(263,177)
Expenditures				
Board administration	2,687,331	2,000,916	1,718,467	(282,449)
Access and preventio	647,076	716,947	692,901	(24,046)
Youth and family	1,599,161	1,667,681	1,599,760	(67,921)
Services to the mentally impaired	4,062,361	4,738,053	4,626,840	(111,213)
Services to the developmentally disabled	8,188,520	8,750,911	8,858,392	107,481
	17,184,449	17,874,508	17,496,360	(378,148)
Revenue over (under) expenditure:	(333,065)	(189,583)	(74,612)	114,971
Other financing sources				
Transfers from Washtenaw County	333,065	189,583	280,998	91,415
Revenue and other financing source: over expenditures	-	-	206,386	206,386
Fund deficit, beginning of yea	(123,167)	(123,167)	(123,167)	-
Fund balance (deficit), end of year	\$ (123,167)	\$ (123,167)	\$ 83,219	\$ 206,386

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

WASHTENAW COUNTY COMMUNITY SUPPORT & TREATMENT SERVICES

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washtenaw County Community Support & Treatment Services (CSTS or the “Fund”; formerly known as Washtenaw County Community Mental Health Fund) is used to account for the provision of certain mental health services to citizens of Washtenaw County. From 1965 through 2001, the Fund was administered by the Community Mental Health Board (the “Board”), created by a resolution of the County Board of Commissioners pursuant to Act 54 of the Public Acts of 1963, as amended. In 2001, the County Board of Commissioners assumed the administration of the Fund.

Effective October 1, 2000, the Washtenaw Community Health Organization (WCHO), a separate legal entity formed by Washtenaw County and the University of Michigan pursuant to the Urban Cooperation Act (Public Act 7 of 1967), replaced the Board as the official community mental health service provider for Washtenaw County, as specified in the full management contract with the Michigan Department of Community Health (MDCH). Washtenaw County serves as a primary subcontractor of WCHO, and accounts for its activities relative to its contract with WCHO in the Fund.

Reporting Entity - These financial statements represent the financial condition and the results of operations of a special revenue fund of Washtenaw County, Michigan (the “County”) and are an integral part of that reporting entity. CSTS 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 County uses a special revenue fund (i.e., a separate accounting entity with a self-balancing set of accounts, using the modified-accrual basis of accounting) to report the financial position and the results of its community mental health operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

Receivables - Receivables consist primarily of fees and other such charges for services to first or third party payors, which are shown net of an allowance for uncollectible accounts based on an estimate of collectability by management.

In addition, because of the close relationship between WCHO and CSTS, and the numerous transactions entered into between the two entities during the year, certain amounts are reported as due to/due from WCHO. These amounts are short-term in nature, and are generally paid or received within 30 days.

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

Notes To Financial Statements

Short-term Interfund Receivables/Payables – During the course of operations, numerous transactions occur between CSTS 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.

Budgetary Accounting – CSTS is under formal budgetary control and follows both the County and MDCH’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 generally accepted accounting principles and the requirements of the MDCH.

Unfavorable variances at the legal level of control are as presented on the Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual.

Concentration – CSTS derives substantially all of its revenue from WCHO and provides services almost exclusively to WCHO clients. Accordingly, discontinuation of WCHO’s contract could adversely affect the Fund’s operating results.

2. CASH

CSTS, along with various other funds and component units of the County, participates in the County’s pooled cash management accounts. Information regarding this cash management pool is presented in the County’s comprehensive annual financial report.

3. FEES RECEIVABLE

Receivables for service charges to first and third-party payors consisted of the following at September 30, 2004:

Medicare	\$ 105,927
Third-party	34,630
Other receivable	<u>19,781</u>
	160,338
Less: Allowance for uncollectible accounts	<u>(107,186)</u>
Fees receivable, net	<u>\$ 53,152</u>

SUPPLEMENTAL SCHEDULE

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

Schedule of Mental Health Service

Program Expenditures

For the Year Ended September 30, 2004

	<u>Board Administration</u>	<u>Access and Prevention</u>	<u>Youth and Family</u>
Expenditures			
Personnel	\$ 675,831	\$ 552,682	\$ 1,251,339
Client expenses	680	-	4,542
Contracts	44,687	81,845	118,174
Cost allocation	848,851	30,111	75,910
Operations	148,418	28,263	149,795
	<u>148,418</u>	<u>28,263</u>	<u>149,795</u>
Total expenditures	<u><u>\$ 1,718,467</u></u>	<u><u>\$ 692,901</u></u>	<u><u>\$ 1,599,760</u></u>

Services to the Mentally Impaired	Services to the Developmentally Disabled	Total
\$ 4,029,480	\$ 7,227,718	\$ 13,737,050
32,112	459,913	497,247
22,363	217,262	484,331
404,855	332,572	1,692,299
138,030	620,927	1,085,433
<u>\$ 4,626,840</u>	<u>\$ 8,858,392</u>	<u>\$ 17,496,360</u>