

**Woodhaven-Brownstown School District
Brownstown, Michigan**

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2012

Woodhaven-Brownstown School District

TABLE OF CONTENTS

June 30, 2012

	<u>Page</u>
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	1-2
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule of Expenditures of Federal Awards	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	6-7
SCHEDULE OF FINDINGS	8-9
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	10

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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 Education
Woodhaven-Brownstown School District
Brownstown, Michigan

Compliance

We have audited the compliance of Woodhaven-Brownstown School District (the District) 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 its major federal programs for the year ended June 30, 2012. The Woodhaven-Brownstown School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Woodhaven-Brownstown School District's administration. Our responsibility is to express an opinion on Woodhaven-Brownstown School District'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 Nonprofit 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about Woodhaven-Brownstown School District'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 Woodhaven-Brownstown School District's compliance with those requirements.

In our opinion, the Woodhaven-Brownstown School District complied, in all material respects, with the requirements referred to above that are applicable to the major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The administration of Woodhaven-Brownstown School District 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 Woodhaven-Brownstown School District's internal control over compliance with requirements that could have a direct and material effect on the major federal programs 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 Woodhaven-Brownstown School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Woodhaven-Brownstown School District'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 the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the entity's internal control 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 8, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Education and administration of Woodhaven-Brownstown School District, others within the District, federal awarding agencies, and the pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 8, 2012

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2011 Accrued or (Deferred) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2012 Accrued or (Deferred) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
School Breakfast Program	10.553	(e)						
2009-10		091950, 091970	\$ 112,965	\$ 112,965	\$ (30,539)	\$ (30,539)	\$ -	\$ -0-
2010-11		111970	128,514	118,368	-	10,146	10,146	-0-
2011-12		121970	122,864	-	-	122,864	122,864	-0-
			364,343	231,333	(30,539)	102,471	133,010	-0-
National School Lunch Program	10.555	(e)						
2011-12 Cash assistance - USDA commodities		82365	81,774	-	-	81,774	81,774	(b) -0-
2009-10		091980	625,905	625,905	(85)	(85)	-	-0-
2010-11		111960	646,018	576,915	-	69,103	69,103	-0-
2011-12		121960	615,119	-	-	615,119	615,119	-0-
			1,968,816	1,202,820	(85)	765,911	765,996	-0-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,333,159	1,434,153	(30,624)	868,382	899,006	-0-
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I, Part A	84.010	(d)(f)						
2010-11 Regular - Part A		1115301011	840,193	576,536	42,858	184,391	141,533	-0-
2011-12 Regular - Part A		1215301112	725,564	-	-	229,807	633,502	403,695
			1,565,757	576,536	42,858	414,198	775,035	403,695
Title II, Part A	84.367							
2010-11		1105201011	278,230	182,752	39,838	100,363	60,525	-0-
2011-12		1205201112	216,655	-	-	78,008	146,564	68,556
			494,885	182,752	39,838	178,371	207,089	68,556
ARRA - Title II, Part D	84.386							
2010-11		1142951011	2,469	-0-	-0-	2,469	2,469	-0-

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2011 Accrued or (Deferred) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2012 Accrued or (Deferred) Revenue
U.S. DEPARTMENT OF EDUCATION - CONTINUED								
Passed Through the Michigan Department of Education - continued								
ARRA - Title I, Part A Carryover 2010-11	84.389	(d)(f) 1115351011	\$ 222,175	\$ 222,175	\$ 77,761	\$ 77,761	\$ -	\$ -0-
Education Jobs Fund 2010-11	84.410	1125451112	1,089,579	1,013,051	-	-	76,528	76,528
Passed Through the Michigan Department of Education and Wayne RESA								
IDEA 2011-12 Transition 2010-11	84.027	(f) N/A 1100451011	1,975 1,021,035	- 1,021,035	- 237,182	1,559 237,182	1,559 -	-0- -0-
2011-12		1204501112	965,380	-	-	726,520	965,380	238,860
			1,988,390	1,021,035	237,182	965,261	966,939	238,860
Preschool Incentive 2010-11	84.173	(f) 1104601011	36,167	36,167	4,020	4,020	-	-0-
2011-12		1204601112	33,300	-	-	22,411	33,300	10,889
			69,467	36,167	4,020	26,431	33,300	10,889
ARRA - IDEA Flowthrough 2009-10	84.391	(f) 1004550910	1,159,028	1,159,028	27,755	27,755	-	-0-
ARRA - IDEA Preschool 2010-11	84.392	(f) 1004651011	67,108	67,108	30,556	30,556	-	-0-
Passed Through the Michigan Department of Education and the Gibraltar School District								
REMS Grant	84.184E	Q184E090014	33,584	31,784	30,189	31,698	1,509	-0-
TOTAL U.S. DEPARTMENT OF EDUCATION			6,692,442	4,309,636	490,159	1,754,500	2,062,869	798,528
TOTAL FEDERAL AWARDS			\$ 9,025,601	\$ 5,743,789	\$ 459,535	\$ 2,622,882	\$ 2,961,875	\$ 798,528

(c)

(a)(g)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Woodhaven-Brownstown School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (b) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (c) The amounts reported in this schedule as cash received are in agreement with the "paid during date range" amounts in the Grant Auditor Report.
- (d) Denotes programs tested as "major program".
- (e) Denotes programs required to be clustered by the United States Department of Agriculture.
- (f) Denotes the following programs required to be clustered by the United States Department of Education:

Title I Cluster (CFDA 84.010 and 84.389)
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)

- (g) Agrees to total revenues from Federal sources per financial statements reconciled as follows:

Federal revenues per financial statements	\$ 3,188,042
Less:	
Vendor payments not subject to Single Audit	(209,227)
Medicaid funds not subject to Single Audit	<u>(16,940)</u>
Federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,961,875</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 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

Management of Woodhaven-Brownstown School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Woodhaven-Brownstown School District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 control 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. We did identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *significant deficiency* is a deficiency, or 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 as 2012-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2012-1.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education of Woodhaven-Brownstown School District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 8, 2012

Woodhaven-Brownstown School District

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

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 X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ 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 by Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010, 84.389	Title I Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

2012-1 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for certain activities in the General Fund.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Cause: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Woodhaven-Brownstown School District
SCHEDULE OF FINDINGS - CONTINUED
Year Ended June 30, 2012

Section II - Financial Statement Findings - Continued

2012-1 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustments as needed.

Corrective Action Response: The Business Office expenses included "Taxes Abated and Written Off" by Wayne County. Wayne County abated the 2009 tax roll for unpaid taxes in June 2012 and charged back the District over \$400,000 for General Fund expenses. This large write off by the County was not communicated to the District. The District does not agree with this finding. We will continue to monitor the monthly County adjustments and make appropriate changes to the budget as needed.

2012-2 DOCUMENTATION OF ATHLETIC ATTENDANCE

Condition: During our testing of internal controls over cash handling for athletic events we noted the following issues:

1. For the hockey game on February 2, 2012, no ticket or tally system was used to track attendance and reconcile receipts.
2. For the soccer game on May 1, 2012, attendance was counted by hand from attendance in the stands. No ticket or tally system was used. Additionally, receipts for this game were not deposited until June 14, 2012.

Criteria: Management is responsible for establishing, maintaining, implementing and monitoring the procedures and controls in place during athletic events. The current procedure in place as part of the cash receipts reconciliation process is that attendance be taken and documented for each athletic event. Receipts are to be deposited immediately.

Cause: Established District procedures were not followed in these two instances.

Effect: We were unable to reconcile the cash receipts from the specified event to the attendance records. Funds were not deposited timely.

Recommendation: We recommend the District take steps to ensure that existing procedures are followed at every athletic event and train new staff or volunteers as to the appropriate documentation required for attendance.

Corrective Action Response: The Athletic Department oversees the collection of funds during athletic events. We utilize both paid individuals and volunteers for the cash collection and ticket counting. The Athletic Director and secretary verify cash collected through this process. The District agrees with this finding. The District will improve its training program for volunteers and paid staff on the collection of athletic gate receipts. The Athletic Department will document training of ticket collections, verify collections and deposit the funds according to District policy. The Business Office will implement a random audit of these events to verify appropriate procedures are taking place.

Section III - Federal Award Findings

None noted.

Woodhaven-Brownstown School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2011-1 BUDGETS

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Resolution: This issue is evaluated separately each year. We consider this issue resolved for the year ended June 30, 2011, however a similar issue was noted this year.