

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

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

June 30, 2013

Woodhaven-Brownstown School District

TABLE OF CONTENTS

June 30, 2013

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	1-2
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule of Expenditures of Federal Awards	5
INDEPENDENT AUDITOR'S 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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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Woodhaven-Brownstown School District's (the District) 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 Woodhaven-Brownstown School District's major federal program for the year ended June 30, 2013. Woodhaven-Brownstown School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Woodhaven-Brownstown School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 a major federal program 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Woodhaven-Brownstown School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Woodhaven-Brownstown School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Woodhaven-Brownstown School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider a material weakness. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 17, 2013

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2012 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2013 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
School Breakfast Program	10.553	(e)						
2012-13		111970	\$ 129,188	\$ -	\$ -	\$ 129,188	\$ 129,188	\$ -0-
2011-12		121970	134,672	122,864	-	11,808	11,808	-0-
			263,860	122,864	-0-	140,996	140,996	-0-
National School Lunch Program	10.555	(e)						
2012-13 Cash assistance - USDA entitlement commodities ^(a)		82365	89,899	-	-	89,899	89,899	-0-
2011-12		121960	686,082	615,119	-	70,963	70,963	-0-
2012-13		131960	605,433	-	-	605,433	605,433	-0-
			1,381,414	615,119	-0-	766,295	766,295	-0-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,645,274	737,983	-0-	907,291	907,291	-0-
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I, Part A	84.010							
2012-13 2% Schoolwide Plan Grants		1215201213	9,000	-	-	-	2,637	2,637
2011-12 Regular - Part A		1215301112	725,564	633,502	403,695	439,889	36,194	-0-
2012-13 Regular - Part A		1315301213	820,651	-	-	279,063	504,930	225,867
			1,555,215	633,502	403,695	718,952	543,761	228,504
Title II, Part A	84.367							
2011-12		1205201112	216,655	146,564	68,556	81,054	12,498	-0-
2012-13		1305201213	229,239	-	-	125,681	212,631	86,950
			445,894	146,564	68,556	206,735	225,129	86,950
Education Jobs Fund	84.410							
2011-12		1125451112	1,089,579	76,528	76,528	76,528	-0-	-0-

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Memo Only) Prior Years' Expenditures	Balance July 1, 2012 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2013 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF EDUCATION - CONTINUED								
Passed Through the Michigan Department of Education and Wayne RESA								
IDEA								
2012-13 Transition	84.027	(d)(f) N/A	\$ 1,839	\$ -	\$ -	\$ 1,242	\$ 1,242	\$ -0-
2011-12		1204501112	965,380	965,380	238,860	238,860	-	-0-
2012-13		1304501213	1,026,775	-	-	775,619	1,026,775	251,156
			1,993,994	965,380	238,860	1,015,721	1,028,017	251,156
Preschool Incentive								
2011-12	84.173	(d)(f)	33,300	33,300	10,889	10,889	-	-0-
2012-13		1204601112	33,700	-	-	26,783	33,700	6,917
		1304601213	33,700	-	-	26,783	33,700	6,917
			67,000	33,300	10,889	37,672	33,700	6,917
TOTAL U.S. DEPARTMENT OF EDUCATION			5,151,682	1,855,274	798,528	2,055,608	1,830,607	573,527
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed Through the Michigan Department of Human Services and Wayne RESA								
Medical Assistance Program								
Title XIX								
Outreach	93.778		27,131	-	-	27,131	27,131	-0-
2012-13		82365	27,131	-	-	27,131	27,131	-0-
TOTAL FEDERAL AWARDS			\$ 6,824,087	\$ 2,593,257	\$ 798,528	\$ 2,990,030	\$ 2,765,029	\$ 573,527
						(c)	(b)(g)	

Woodhaven-Brownstown School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

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 current year expenditures for the Food Donation Program are determined based on the 2002/03 guidance provided in the Michigan Department of Education (MDE) Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Reports which is in agreement in all material respects with the District's reported amounts.
- (b) 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.
- (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 programs required to be clustered by the United States Department of Education.
- (g) Agrees to total revenues from Federal sources per financial statements reconciled as follows:

Federal revenues per financial statements	\$ 2,833,319
Less:	
Vendor payments not subject to Single Audit	<u>(68,290)</u>
Federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,765,029</u>

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INDEPENDENT AUDITOR'S 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 Education
Woodhaven-Brownstown School District
Woodhaven, Michigan

We have audited, in accordance with the 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 governmental activities, the major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Woodhaven-Brownstown School District's basic financial statements and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woodhaven-Brownstown School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodhaven-Brownstown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodhaven-Brownstown School District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described as items 2013-1 and 2013-2 in the accompanying schedule of findings to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Woodhaven-Brownstown School District's Response to Findings

Woodhaven-Brownstown School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. Woodhaven-Brownstown School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the District's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 17, 2013

Woodhaven-Brownstown School District

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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? _____ Yes X 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: Unmodified

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
84.027, 84.173	Special Education Cluster (IDEA)

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

2013-1 - INTERNAL CONTROLS OVER ATHLETIC ACTIVITIES

Condition: During our audit the District was made aware of two vendors whose checks from a school-sponsored sports team had bounced, first in February 2013 then again in July. The checks were written from an account that had been established by the coach of this team in her own name and with her being the only authorized signer. As the investigation into the matter progressed, the District was notified by the Athletic Director that he knew of the bounced checks and the bank account in February 2013, but did not notify the business office. The District had no knowledge of this bank account (was not under the EIN of the District) until the vendor notified the District. Upon learning of the existence of the account, District administration investigated and found irregularities in the activity. At that point the Brownstown Township Police were contacted and the coach terminated. It was found that parents were instructed to make their checks out to the coach personally and not to the District. It appears that the checks were then deposited into the separate bank account held by the coach and checks were written to vendors and people such as her mother, stepfather, etc. The District and local police are continuing their investigation. The amounts involved are not material to the financial statements and restitution has been made as of the current date. The District's internal controls were not followed by the Athletic Director to prevent, deter, and/or detect this condition.

Woodhaven-Brownstown School District
SCHEDULE OF FINDINGS - CONTINUED
Year Ended June 30, 2013

Section II - Financial Statement Findings - Continued

2013-1 INTERNAL CONTROLS OVER ATHLETIC ACTIVITIES - CONTINUED

Criteria: The District should have internal controls in place to prevent, deter, and detect fraud.

Cause: Unknown.

Effect: The District's internal controls were circumvented and athletic activities funneled through an account independent of the District without management's knowledge.

Recommendation: We recommend that the District implement more stringent internal controls and policies over the athletic activities. Management should communicate to stakeholders such as parents, vendors, etc. that checks should be written to the District as payee and that all payments will now be made by the District and not individuals.

Corrective Action Response: The District has revised its internal control policies in conjunction with an independent CPA Firm and implementing a check and balance system to insure review of appropriate handling of athletic activities.

2013-2 VERIFICATION OF CASH COUNTS FOR ATHLETICS

Condition: During the testing of cash receipts for the athletic department, we noted two (2) instances out of five (5) tested in which the coaches deposit sheet was not initialed by the Athletic Office. This initialing of the deposit sheet is evidence that the amounts were counted by the Athletic Office and that the amount was accurate. One of the deposits was for football totaling \$5,500 and the other deposit was for girls' soccer for \$64.

Criteria: The initialing of deposit sheets by the Athletic Secretary provides a procedure to ensure the amounts deposited agree to the amounts actually collected.

Cause: Unknown.

Effect: There is no evidence that the control in place was applied. Without following established procedures, opportunity arises for clerical inaccuracies or the misappropriation of assets.

Recommendation: We recommend that the Athletic Secretary count the cash to ensure it agrees to the deposit sheet and initial to provide evidence that the control is being performed.

Corrective Action Response: The District has revised its internal control policies in conjunction with an independent CPA Firm and implementing a check and balance system to insure review of appropriate handling of athletic activities.

Section III - Federal Award Findings

None noted.

Woodhaven-Brownstown School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2013

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.

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 various activities in the General Fund.

Resolution: This issue is evaluated separately each year. We consider this issue resolved.

2012-2 DOCUMENTATION OF ATHLETIC ATTENDANCE

Condition: During our testing of internal controls over cash handling for athletic events we noted attendance at certain sporting events was not being documented.

Resolution: The issue has been discussed with the Athletic department, and appropriate changes were made. We consider this issue resolved.