

LAKEVIEW COMMUNITY SCHOOLS



LAKEVIEW, MICHIGAN

SINGLE AUDIT ACT COMPLIANCE

FOR THE YEAR ENDED JUNE 30, 2011

**LAKEVIEW COMMUNITY SCHOOLS
SINGLE AUDIT ACT COMPLIANCE**

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**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Month //, 2011

Board of Education
Lakeview Community Schools
Lakeview, Michigan

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Lakeview Community Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated **Month //, 2011**. Our audit was performed for the purpose of forming opinions on the basic financial statements taken 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2010	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2011	
						(Memo Only) Prior Year(s)	Year Ended June 30, 2011		
U.S. Department of Agriculture									
<i>Passed through Michigan Department of Education:</i>									
Child Nutrition Cluster:									
National School Lunch - breakfast	10.553	101970	\$ 10,598	\$ -	\$ 10,598	\$ -	\$ 10,598	\$ -	
National School Lunch - breakfast	10.553	111970	99,148	-	93,038	-	99,148	6,110	
National School Lunch Sec 4 All Lunches	10.555	101950	4,502	-	4,502	-	4,502	-	
National School Lunch Sec 4 All Lunches	10.555	111950	41,809	-	39,373	-	41,809	2,436	
National School Lunch Sec 11 Free/Reduced	10.555	101960	23,305	-	23,305	-	23,305	-	
National School Lunch Sec 11 Free/Reduced	10.555	111960	222,463	-	209,456	-	222,463	13,007	
Non-cash assistance:									
Entitlement Commodities	10.555	n/a	48,727	-	48,727	-	48,727	-	
Bonus Commodities	10.555	n/a	3,391	-	3,391	-	3,391	-	
				-	432,390	-	453,943	21,553	
CACFP Meals	10.558	111920	2,301	-	2,301	-	2,301	-	
CACFP Meals	10.558	112010	171	-	171	-	171	-	
				-	2,472	-	2,472	-	
<i>Passed through Kent Intermediate School District:</i>									
Splash Grant	10.561	n/a	861	-	861	-	861	-	
Total U.S. Department of Agriculture					-	435,723	-	457,276	21,553
U.S. Department of Education									
<i>Passed through the Michigan Department of Education:</i>									
Title I, Part A Cluster:									
Title I, Part A	84.010	101530-0910	557,469	478,498	500,038	535,929	21,540	-	
Title I, Part A	84.010	111530-1011	486,919	-	320,273	-	394,221	73,948	
ARRA - Title I, Part A	84.389	101535-0910	237,326	145,178	176,591	187,960	31,413	-	
ARRA - Title I, Part A	84.389	111535-1011	60,436	-	60,436	-	60,436	-	
ARRA - Title I School Improvement	84.389A	101555-0910	156,025	-	30,491	-	30,971	480	
				623,676	1,087,829	723,889	538,581	74,428	
Title IV, Part B - Rural and Low-income Grant	84.358B	100660-0910	30,548	1,100	23,890	1,100	22,790	-	
Title IV, Part B - Rural and Low-income Grant	84.358B	110660-1011	15,072	-	12,598	-	12,598	-	
				1,100	36,488	1,100	35,388	-	
Title II, Part A - Improving Teacher Quality	84.367	100520-0910	126,699	27,385	27,385	66,157	-	-	
Title II, Part A - Improving Teacher Quality	84.367	110520-1011	240,162	-	173,631	-	191,000	17,369	
				27,385	201,016	66,157	191,000	17,369	
ARRA - Title II, Part D	84.386	104295-0910	10,597	9,517	9,517	-	-	-	
ARRA - State Education Stimulus Funds	84.394	112525-1011	174,676	-	145,195	-	174,676	29,481	
Education Jobs Fund	84.410A	112545-10-11	333,902	-	296,915	-	333,902	36,987	

(continued)

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- through Grantor Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2010	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue
						(Memo Only) Prior Year(s)	Year Ended June 30, 2011	June 30, 2011
U.S. Department of Education (Concluded)								
<i>Passed through Kent Intermediate School District:</i>								
Safe and Drug Free Schools	84.186A	102860-0910	\$ 5,154	\$ 1,405	\$ 1,405	\$ 2,464	\$ -	\$ -
Safe and Drug Free Schools	84.186A	112860-1011	2,690	-	2,690	-	2,690	-
				1,405	4,095	2,464	2,690	-
<i>Passed through Ionia County Intermediate School District:</i>								
Teaching American History	84.215	-n/a-	1,672	-	1,672	-	1,672	-
<i>Passed through Marquette-Alger RESA:</i>								
Title II Part D - Enhancing Education Through Technology	84.318X	104240-Cat 01-3	54,000	-	-	-	54,000	54,000
<i>Passed through Montcalm Area Intermediate School District:</i>								
ARRA - IDEA Flow-through	84.391A	100455-0910	200,002	62,184	62,184	200,002	-	-
Total U.S. Department of Education				725,267	1,844,911	993,612	1,331,909	212,265
Total Expenditures of Federal Awards				\$ 725,267	\$ 2,280,634	\$ 993,612	\$ 1,789,185	\$ 233,818

See notes to schedule of expenditures of federal awards.

LAKEVIEW COMMUNITY SCHOOLS

SINGLE AUDIT ACT COMPLIANCE

Notes to Schedule of Expenditures of Federal Awards

Basis of Accounting

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

Reconciliation of Basic Financial Statements

Revenues from federal sources per the June 30, 2011 basic financial statements agree with federal expenditures from the June 30, 2011 Schedule of Expenditures of Federal Awards.

Expenditures are in agreement with amounts reported in the June 30, 2011 basic financial statements. Management has utilized the Grant Auditor Report in preparing the June 30, 2011 Schedule of Expenditures of Federal Awards.

INDEPENDENT AUDITORS' 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

Month //, 2011

Board of Education
Lakeview Community Schools
Lakeview, Michigan

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of *Lakeview Community Schools*, Lakeview, Michigan, as of and for the year ended June 30, 2011, which collectively comprise Lakeview Community Schools' basic financial statement and have issued our report thereon dated Month //, 2011. 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 Lakeview Community Schools' 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 Lakeview Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lakeview Community Schools' 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 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.

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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeview Community Schools' 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 certain matters that we reported to management of Lakeview Community Schools in a separate letter dated **Month //, 2011**.

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

This report is intended solely for the information and use of management and the Board of Education, 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.

**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**

Month //, 2011

Board of Education
Lakeview Community Schools
Lakeview, Michigan

Compliance

We have audited Lakeview Community Schools' compliance with 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, 2011. Lakeview Community Schools' major federal programs are identified in the summary of auditors' 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 Lakeview Community Schools' management. Our responsibility is to express an opinion on Lakeview Community Schools' 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. 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 Lakeview Community Schools' 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 of Lakeview Community Schools' compliance with those requirements.

In our opinion, Lakeview Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-2.

Internal Control Over Compliance

Management of Lakeview Community Schools 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 Lakeview Community Schools' internal control over compliance with the 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 Lakeview Community Schools' 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. *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.

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

This report is intended solely for the information and use of management, the Board of Education, 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.

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? 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 deficiency(ies) identified? x yes _____ none reported

Type of auditors’ 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)? x yes _____ no

Identification of Major Programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553 and 10.555	National School Lunch Cluster
84.010 and 84.389	Title I, Part A
84.410A	Education Jobs Fund

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

Auditee qualified as low-risk auditee? _____ yes x no

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-1 – Preparation of Financial Statements in Accordance with GAAP Significant Deficiency in Internal Control over Financial Reporting

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition. As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare general purpose external financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause. This condition was caused by the government's decision that it is more cost effective to outsource certain components of the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect. As a result of this condition, the government lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with certain aspects of this task.

Recommendation. The District's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. The government has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the proposed journal entries, draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. In addition, Management performs a thorough review of the auditing journal entries recommended by the auditors, including those related to the conversion of the governmental fund financial statements to the government-wide financial statements.

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-2 – Internal Controls over Eligibility

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance

CFDA Number(s) and Program Name. 10.553 and 10.555 – Child Nutrition Cluster

Federal Awarding Agency. U.S. Department of Agriculture

Pass-through Entity. Michigan Department of Education

Award Number(s). 101970, 111970, 101950, 111950, 101960, and 111960

Criteria. Recipients of federal awards are responsible for compliance with various requirements in accordance with the OMB Circular A-133 Compliance Supplement and the award agreement. The national school lunch grant requires that students receiving free or reduced rate meals meet certain income guidelines, or are categorically eligible by being homeless, a migrant, or a runaway.

Condition. In our sample of 40 applications from all students receiving free or reduced cost meals during the year, we noted one instance in which the student was not eligible to receive this benefit.

Cause. This condition was caused by a clerical error in the process of inputting the family income into Meal Magic, the District's food service software. District management inputs income level and family size into the software and eligibility is determined automatically. In this instance, two individuals in the household reported income on the application, but only one was input into Meal Magic.

Effect. As a result of this condition, the District provided reduced cost meals to a student that did not qualify to receive this benefit.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as the dollars involved were inconsequential.

Recommendation. We recommend that the District review its existing procedures for inputting paper applications into the food service software in order to determine whether procedures could be revised, in a cost-effective manner, to prevent such miscalculations in the future.

View of Responsible Officials. The District agrees with the finding as reported by the auditors. Policies and procedures over eligibility will be reviewed prior to the beginning of the next academic year and revised as needed to prevent future noncompliance.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported.