

LAKEVIEW COMMUNITY SCHOOLS



LAKEVIEW, MICHIGAN

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

**LAKEVIEW COMMUNITY SCHOOLS
SINGLE AUDIT**

Table of Contents

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7-9
Corrective Action Plan	10-11

**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***

September 3, 2009

Board of Education
Lakeview Community Schools
Lakeview, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Lakeview Community Schools*, Lakeview, Michigan, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 3, 2009. 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, Lakeview, Michigan'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 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.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. However, as discussed in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider finding 2009-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our considering of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in the accompanying schedule of findings and questioned costs as finding 2009-1 to be a material weakness.

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*.

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.

We noted certain matters that we reported to management of Lakeview Community Schools in a separate letter dated September 3, 2009.

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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 3, 2009

Board of Education
Lakeview Community Schools
Lakeview, Michigan

Compliance

We have audited the compliance of *Lakeview Community Schools*, Lakeview, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, *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 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, 2009. 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 Finding 2009-2.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Lakeview Community Schools as of and for the year ended June 30, 2009 and have issued our report thereon dated September 3, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Lakeview Community Schools' basic financial statements. 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' 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 Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2008	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2009
						(Memo Only) Prior Year(s)	Year Ended June 30, 2009	
U.S. Department of Agriculture								
<i>Direct programs:</i>								
Entitlement commodities	10.555	n/a	\$ 31,680	\$ -	\$ 31,680	\$ -	\$ 31,680	\$ -
Bonus commodities	10.555	n/a	7,395	-	7,395	-	7,395	-
				-	39,075	-	39,075	-
<i>Passed through Michigan Department of Education:</i>								
Child Nutrition Cluster:								
National School Lunch - breakfast	10.553	081970	11,504	-	11,504	-	11,504	-
National School Lunch - breakfast	10.553	091970	87,646	-	87,646	-	87,646	-
				-	99,150	-	99,150	-
National School Lunch Section 4 All Lunches	10.555	081950	4,975	-	4,975	-	4,975	-
National School Lunch Section 4 All Lunches	10.555	091950	35,995	-	35,995	-	35,995	-
National School Lunch Section 11 Free and Reduced	10.555	081960	28,501	-	28,501	-	28,501	-
National School Lunch Section 11 Free and Reduced	10.555	091960	206,234	-	206,234	-	206,234	-
				-	275,705	-	275,705	-
Total Child Nutrition Cluster				-	374,855	-	374,855	-
Total U.S. Department of Agriculture				-	413,930	-	413,930	-
U.S. Department of Education								
<i>Passed through Michigan Department of Education:</i>								
Title I, Part A	84.010	081530-0708	254,782	-	31,608	205,791	31,608	-
Title I, Part A	84.010	091530-0809	479,273	-	404,359	-	444,081	39,722
				-	435,967	205,791	475,689	39,722
Title, V	84.298	080250-0708	1,688	-	1,688	-	1,688	-
Title II, Part D - Technology Literacy Challenge Grant	84.318	094290-0809	3,992	-	3,992	-	3,992	-
Title II, Part A - Improving Teacher Quality	84.367	090520-0809	112,792	-	77,839	-	85,048	7,209
State Education Stimulus Funds (ARRA)	84.394	092525-0809	575,172	-	-	-	575,172	575,172
<i>Passed through Kent Intermediate School District:</i>								
Safe and Drug Free Schools	84.186	082860-0708	5,688	-	1,675	4,013	1,675	-
Safe and Drug Free Schools	84.186	092860-0809	4,132	-	4,132	-	4,132	-
				-	5,807	4,013	5,807	-
Total U.S. Department of Education				-	525,293	209,804	1,147,396	622,103
Total Expenditures of Federal Awards				\$ -	\$ 939,223	\$ 209,804	\$ 1,561,326	\$ 622,103

**LAKEVIEW COMMUNITY SCHOOLS
SINGLE AUDIT**

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, 2009 basic financial statements agree with federal expenditures from the June 30, 2009 Schedule of Expenditures of Federal Awards.

Expenditures are in agreement with amounts reported in the basic financial statements. Management has utilized the Grants Section Auditors Report (form R7120) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified?	x	yes	_____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	x	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 not considered to be material weaknesses?	_____	yes	x	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>
84.010 84.394	Title I, Part A State Education Stabilization Funds (ARRA)
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, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2009-1 – Material Audit Adjustments

Criteria:	The District's management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).
Condition:	During the year under audit, the District contracted with its third-party asset management consultant to have a full physical inventory and revaluation performed. The results of the consultant's procedures required a material prior period adjustment to capital assets.
Cause:	This condition was the result of numerous adjustments made to capital assets in connection with a physical inventory. While the amounts were individually insignificant, in the aggregate, they represented a material amount.
Effect:	As a result of this condition, the District's capital asset records were initially misstated and required adjustments that were material to the financial statements taken as a whole.
Recommendation:	No further corrective action is needed. Restatement of beginning balances is often necessary after a full physical inventory is performed. We commend the District for taking the initiative to have this service performed in order to properly report capital asset values.
View of Responsible Officials:	Management was aware that the physical inventory might result in the need for a restatement of beginning balances.

SECTION III – FEDERAL AWARDS FINDINGS

Finding 2009-2 – Internal Controls over Cash Management Immaterial Noncompliance

U.S. Department of Education / Title I, Part A / CFDA No. 84.010

Criteria:	The Michigan Department of Education ("MDE"), in its capacity as the pass-through agency for the District's Title I grant, has specified that cash draws should not be made until the related disbursement has been made. In addition, the District's accounting records should support the amounts requested for reimbursement under the award.
Condition:	During the year under audit, the District reported a certain period of expenditures twice, and therefore was double-reimbursed. In addition, the District participated in a pilot program with MDE to complete its final expenditure report earlier than it otherwise would have been due. The submission of the final expenditure report in July automatically generated a final payment to the District. This final payment was to fund July and August teacher salary accruals, which had not been disbursed at that time.

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2009

SECTION III – FEDERAL AWARDS FINDINGS (CONCLUDED)

Finding 2009-2 – Internal Controls over Cash Management (Concluded)

Cause:	The double-reimbursement of certain expenditures was the result of an error in segregating expenditures of carryover funds from expenditures of the current year grant. The advance funding received at year-end was a result of a miscommunication between the District and MDE on the pilot program. The District had not been aware that submission of the final expenditure report would automatically result in the payout of any remaining funds.
Effect:	As a result of this condition, the District's was, at times, in receipt of federal funds in excess of its immediate cash needs.
Questioned costs:	No costs were questioned as a result of this finding, inasmuch as the double-reimbursed expenditures were refunded to MDE by the District and the advanced funds were used to reimburse the District for its July and August teacher accruals.
Recommendation:	No further corrective action is needed, as MDE has already been notified of both situations, and the District has acted in accordance with the directions it was provided.
View of Responsible Officials:	Management was not aware that the CMS would automatically disburse unclaimed funds from the submission of the final expenditure report. In the future, we will wait until August to do the report, when all accrued salaries/benefits have been paid out.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2008-1	The District required a material audit adjustment in order to properly present the financial statements in accordance with GAAP. Management reviewed and approved the adjustment, and no further corrective action was required. A similar condition was reported as Finding 2009-1 for an unrelated material adjustment identified during the current audit.
-----------------------	---

Lakeview Community Schools

**123 Fifth Street
Lakeview, Michigan 48850**

**Phone: 989-352-6226
Fax: 989-352-8245**

*Dixie M Pope, Ed.D, Superintendent
Sara L. Shriver, Director of Instruction
Pamela Main, Human Resource Supervisor
Patricia Root, Accounting Supervisor
www.lakeviewschools.net*

CORRECTIVE ACTION PLAN For the Fiscal Year Ending June 30, 2009

September 3, 2009

Gloria Suggitt, Auditor
Michigan Department of Education
Office of Audits
608 West Allegan Street
P O Box 30008
Lansing, MI 48909

RE: LAKEVIEW COMMUNITY SCHOOLS 38-6025862

Dear Ms. Suggitt:

In response to the audit findings during the 2008-09 audit for both the Single Audit and the Management Letter, listed below you will find Lakeview Community School's response.

Lakeview Community School's Corrective Action Plan (CAP) to finding 2009 -1 noted in the Single Audit Report for fiscal year ending June 30, 2009 is as follows:

Finding: Material Audit Adjustments

CAP: This was a result of having a physical inventory of capital assets. We will have a physical inventory every 4-5 years, as things do get thrown away or added without being reported to Central Office.

Monitor: Building Principals will work with Accounting Supervisor

Lakeview Community School's Corrective Action Plan (CAP) to finding 2009-2 noted in the Single Audit Report for fiscal year ending June 30, 2009 is as follows:

Finding: Internal Controls over Cash Management, Immaterial Noncompliance
U.S. Department of Education/Title I, Part A/ CFDA No.84.010

CAP: We participated in the pilot program the Michigan Department of Education offered which allowed us to complete our final expenditure reports upon completion of the year versus waiting until October 1st. The final report was completed in July, after summer salaries/benefits were booked back to the appropriate year (08-09), although the funds would not be completely expended until August. The Cash Management System disbursed all funds to us, as a result of the Final Report, even though we had only requested funds expended through June 30. We contacted the MDE to correct the matter. In the future, the final report will not be generated until the accrued compensation has been expensed.

Monitor: Accounting Supervisor

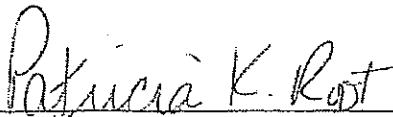
Lakeview Community School's Corrective Action Plan for finding in the Management Letter for fiscal year ending June 30, 2009 is as follows:

Finding: Segregation of Duties over Cash Deposits

CAP: *The accounts referenced here are debt fund accounts.
*The system we will put in place is as follows:
* Accounting Supervisor will put figures on a spreadsheet, and prepare the deposit slip.
* The Accounting Clerk will verify the check amounts with the spreadsheet, and take the deposits to the bank.
*We do balance with townships at the end of the year, that will supply the reports. This year 7 of 10 townships provided a final summary report, in which we balanced to.

If you are in need of further information, please feel free to contact me at 989-352-6226 or 989-352-7221 ext. 2437

Sincerely,



Patricia K. Root
Accounting Supervisor

cc: Stephen W. Blann, CPA, CGFM, Rehmann Robson
Board of Education
Dixie M. Pope, Superintendent
Federal Clearinghouse