

Vestaburg Community Schools

Vestaburg, Michigan

Single Audit Report

June 30, 2011

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**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***

To The Board of Education
Vestaburg Community Schools
Vestaburg, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vestaburg Community Schools as of and for the year ended June 30, 2011, which collectively comprise Vestaburg Community Schools' basic financial statements and have issued our report thereon dated October 28, 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 Vestaburg Community Schools' internal control over financial reporting in order to determine as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vestaburg Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vestaburg Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2011-1 and 2011-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vestaburg 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 Vestaburg Community Schools in a separate letter dated October 28, 2011.

Vestaburg Community Schools' response to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit Vestaburg Community Schools' responses and, accordingly, we express no opinion on it.

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

Yeo & Yeo, P.C.

Alma, Michigan
October 28, 2011



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**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect
on Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Education
Vestaburg Community Schools
Vestaburg, Michigan

Compliance

We have audited Vestaburg Community Schools' 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 each of Vestaburg Community Schools' major federal programs for the year ended June 30, 2011. Vestaburg 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 Vestaburg Community Schools' management. Our responsibility is to express an opinion on Vestaburg 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 Vestaburg 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 on Vestaburg Community Schools' compliance with those requirements.

In our opinion, Vestaburg Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The Management of Vestaburg Community Schools 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 Vestaburg Community Schools' internal control over compliance with 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 Vestaburg 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 significant 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.

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 Vestaburg Community Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information of management and others within the organization, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
October 28, 2011

Vestaburg Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 6/30/2010	(Memo only) Prior Year Expenditures	Current Year Expend./ Revenues Recognized	Current Year Receipts	Accrued (Deferred) Revenue 6/30/2011
U.S. Department of Agriculture							
Passed through Michigan Department of Education							
Child Nutrition Cluster							
National School Lunch Breakfast							
101970	10.553	\$ 37,556	\$ -	\$ 34,405	\$ 3,151	\$ 3,151	\$ -
111970	10.553	35,310	-	-	35,310	35,310	-
			<u>-</u>		<u>38,461</u>	<u>38,461</u>	<u>-</u>
National School Lunch Program							
101950	10.553	17,332	-	15,555	1,777	1,777	-
111950	10.553	15,166	-	-	15,166	15,166	-
101960	10.555	115,067	-	103,038	12,029	12,029	-
111960	10.555	103,437	-	-	103,437	103,437	-
			<u>-</u>		<u>132,409</u>	<u>132,409</u>	<u>-</u>
Non-cash assistance (commodities)							
Entitlement Commodities	10.555	13,739	-	-	13,739	13,739	-
Bonus Commodities	10.555	1,087	-	-	1,087	1,087	-
			<u>-</u>		<u>14,826</u>	<u>14,826</u>	<u>-</u>
Total - Child Nutrition Cluster		338,694	<u>-</u>		<u>185,696</u>	<u>185,696</u>	<u>-</u>
U.S. Department of Education							
Passed through Michigan Department of Education							
Title I Part A Imp Basic Pro							
101530 0910	84.010	178,677	23,168	175,097	3,580	26,748	-
111530 1011		194,280	-	-	182,324	154,810	27,514
ARRA - Title I, Part A							
101535 0910	84.389	89,183	13,798	80,883	8,253	22,051	-
111535 1011		2,059	-	-	2,059	2,059	-
Total - Title I Cluster			<u>36,966</u>		<u>196,216</u>	<u>205,668</u>	<u>27,514</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Vestaburg Community Schools
Schedule of Expenditures of Federal Awards
June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 6/30/2010	(Memo only) Prior Year Expenditures	Current Year Expend./ Revenues Recognized	Current Year Receipts	Accrued (Deferred) Revenue 6/30/2011
Passed through Michigan Department of Education							
Title VI, Part B Rural and Low Income							
110660 1011	84.358B	\$ 18,042	\$ -	\$ -	\$ 13,892	\$ 13,892	\$ -
Title IIA Improving Teacher Quality							
100520 0910	84.367	60,050	10,159	60,050	-	10,159	-
110520 1011		60,915	-	-	47,497	43,729	3,768
			<u>10,159</u>		<u>47,497</u>	<u>53,888</u>	<u>3,768</u>
ARRA - Title II, Part D Formula Grants							
104295 0910	84.386	3,552	-	-	2,664	2,664	-
114295 1011		888	-	-	888	888	-
			<u>-</u>		<u>3,552</u>	<u>3,552</u>	<u>-</u>
Passed through Kent ISD							
School District: Drug Free Schools							
	84.186	1,500	-	-	1,497	1,497	-
Passed through Michigan Department of Education							
ARRA - Education Stabilization Funds							
102525 0910	84.394	209,480	-	209,389	91	91	-
112525 1011		83,199	-	-	83,199	83,199	-
			<u>-</u>		<u>83,290</u>	<u>83,290</u>	<u>-</u>
Educating Jobs Fund							
112545 1011	84.410	157,687	-	-	157,687	157,687	-
			<u>\$ 47,125</u>		<u>\$ 689,327</u>	<u>\$ 705,170</u>	<u>\$ 31,282</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Vestaburg Community Schools
Notes to Schedule of Expenditures of Federal Awards
June 30, 2011

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
4. The federal amounts reported on the Form R-7120 "Grant Auditor Report" are in agreement with the Schedule of Expenditures of Federal Awards.
5. Reconciliation of Federal Awards to the financial statements:

Federal revenue - financial statements	\$ 882,658
Less: federal debt payment subsidy	(209,416)
Add: deferred revenue Title I	14,408
Add: deferred revenue Title II	1,677
	<u>\$ 689,327</u>

Vestaburg Community Schools
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 section 510(a) of Circular A-133? yes no

Identification of major programs:
CFDA Number(s)

84.010 and 84.389
84.410

Name of Federal Program or Cluster

Title I Cluster
Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Vestaburg Community Schools
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

2011-1 Audit Entries – Material Weakness

Specific requirement: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: Adjusting journal entries were required so the financial statements were not materially misstated.

Context: Auditor proposed eleven journal entries. This was a material weakness in the prior year also.

Cause/Effect: Management is responsible for the financial statements and should be making the necessary adjustments.

Recommendation: We recommend that a review and evaluation of transactions at year end and of the prior year adjusting journal entries would solve this issue.

Management's Response: We will review the prior year entries and consult our auditors prior to fieldwork so that the adjusting entries will be posted prior to giving the auditors the working trial balance.

2011-2 Prior Period Adjustment – Material Weakness

Specific Requirement: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: A prior period adjustment of \$171,658 for the accrual of health insurance liability for teachers whose contracts and benefit periods run from September 1st to August

30th each fiscal year was required so the financial statements were not materially misstated.

Context: Auditor proposed prior period adjustment.

Cause/Effect: Management is responsible for the financial statements and should be making the correct accruals at year end.

Recommendation: We recommend that a review of the health insurance liability is performed and that the necessary adjustment is made prior to providing the working trial balance to the auditors.

Management's Response: The health insurance liability for teachers will be calculated and accrued at year end going forward.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

Vestaburg Community Schools
Schedule of Prior Year Findings and Questioned Costs
June 30, 2011

Government Auditing Standards Findings

There were the following findings for Governmental Auditing Standards for the year ended June 30, 2010:

Finding 2010-1 Recording, Processing and Summarizing Accounting Data

REPEATED IN CURRENT YEAR

Finding 2010-2 Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

RESOLVED

Federal Award Findings

There were the following findings for Federal Awards for the year ended June 30, 2010:

2010-3 Insufficient Documentation of Payroll Expenses

RESOLVED