

School District of the City of River Rouge

**Federal Awards
Supplemental Information
June 30, 2009**

School District of the City of River Rouge

Contents

Independent Auditor's Report	I
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>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-14



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Education
School District of the City of River Rouge

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of River Rouge (the "School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 22, 2009. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of River Rouge's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 22, 2009

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
School District of the City of River Rouge

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of River Rouge (the "School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 22, 2009. We have 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 the School District of the City of River Rouge's internal control over financial reporting 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and another that we consider to be a material weakness.

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 the control deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2009-1, 2009-2, and 2009-3 to be significant deficiencies in internal control over financial reporting.

To the Board of Education
School District of the City of River Rouge

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 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 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, of the significant deficiencies described above, we consider Finding 2009-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of the City of River Rouge'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 matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2009-1.

We also noted certain matters that we have reported to management of the School District of the City of River Rouge in a separate letter dated October 22, 2009.

The School District of the City of River Rouge's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District of the City of River Rouge's 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, others within the entity, 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.

Plante & Moran, PLLC

October 22, 2009

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance with OMB Circular A-133

To the Board of Education
School District of the City of River Rouge

Compliance

We have audited the compliance of the School District of the City of River Rouge 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. The major federal programs of the School District of the City of River Rouge are identified in the summary of auditor's 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 the School District of the City of River Rouge's management. Our responsibility is to express an opinion on the School District of the City of River Rouge'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 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 the School District of the City of River Rouge'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 the School District of the City of River Rouge's compliance with those requirements.

In our opinion, the School District of the City of River Rouge 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 that 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 2009-4.

To the Board of Education
School District of the City of River Rouge

Internal Control Over Compliance

The management of the School District of the City of River Rouge 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 the School District of the City of River Rouge's internal control over compliance with 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 the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2009-4 to be a significant deficiency.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

The School District of the City of River Rouge's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District of the City of River Rouge's 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, others within the entity, 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.

Plante & Moran, PLLC

October 22, 2009

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Non-cash Assistance (Commodities):								
Entitlement commodities - 2008-2009	10.555	\$ 39,922	\$ -	\$ -	\$ -	\$ 39,922	\$ 39,922	\$ -
Bonus commodities - 2008-2009		8,602	-	-	-	8,602	8,602	-
Total Non-cash Assistance (Commodities)		48,524	-	-	-	48,524	48,524	-
Cash Assistance:								
National School Breakfast Program - 2007-2008	10.553	133,946	133,946	23,943	-	23,943	-	-
National School Breakfast Program - 2008-2009		153,672	-	-	-	127,410	153,672	26,262
Total National School Breakfast Program		287,618	133,946	23,943	-	151,353	153,672	26,262
National School Lunch Program:	10.555							
2007-2008 Snacks		8,136	8,136	1,235	-	1,235	-	-
2008-2009 Snacks		4,055	-	-	-	3,187	4,055	868
2007-2008 Lunch		363,134	363,134	60,373	-	60,373	-	-
2008-2009 Lunch		339,345	-	-	-	289,801	339,345	49,544
Total National School Lunch Program		714,670	371,270	61,608	-	354,596	343,400	50,412
Summer Food Service Program - 2008-2009	10.559	5,990	-	-	-	5,990	5,990	-
Total Cash Assistance		1,008,278	505,216	85,551	-	511,939	503,062	76,674
Total Child Nutrition Cluster		1,056,802	505,216	85,551	-	560,463	551,586	76,674
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD - IDEA:								
Project number 080450-0708	84.027	397,306	397,306	23,910	-	23,910	-	-
Project number 090450-0809		363,177	-	-	-	304,527	354,718	50,191
Total Special Education Cluster		760,483	397,306	23,910	-	328,437	354,718	50,191

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
Clusters (Continued):								
State Fiscal Stabilization Fund Cluster - U.S. Department of Education								
Passed through the Michigan Department of Education -								
State Fiscal Stabilization Fund (SFSF) - Education Grants,								
Recovery Act (Education Stabilization Fund) - Project Number								
84.394	\$	433,863	\$ -	\$ -	\$ -	\$ -	\$ 433,863	\$ 433,863
Medicaid Cluster - U.S. Department of Health and Human Services -								
Passed through the Wayne County RESA - Medical Assistance								
Program (Medicaid, Title XIX)								
93.778		8,436	-	-	-	8,436	8,436	-
Total Clusters		2,259,584	902,522	109,461	-	897,336	1,348,603	560,728
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Title I:								
84.010								
Project number 0815300708		1,073,937	846,195	157,394	-	266,569	109,175	-
Project number 0915300809		1,240,242	-	-	-	624,965	754,779	129,814
Total Title I		2,314,179	846,195	157,394	-	891,534	863,954	129,814
Title V LEA Allocation:								
84.298								
Project number 0802500708		11,157	5,545	132	-	747	615	-
Project number 0902500809		4,997	-	-	-	3,465	4,730	1,265
Total Title V LEA Allocation		16,154	5,545	132	-	4,212	5,345	1,265
Technology Literacy Challenge Fund Grant:								
84.318								
Project number 0842900708		13,814	8,879	726	-	726	-	-
Project number 0942900809		14,855	-	-	-	1,579	4,323	2,744
Total Technology Literacy Challenge Fund Grant		28,669	8,879	726	-	2,305	4,323	2,744

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
U.S. Department of Education (Continued):								
Passed through the Michigan Department of Education (Continued):								
Title II, Part A - Improving Teacher Quality:	84.367							
Project number 0805200708		\$ 302,925	\$ 36,879	\$ 4,149	\$ -	\$ 15,425	\$ 11,276	\$ -
Project number 0905200809		495,237	-	-	-	83,666	97,980	14,314
Total Title II, Part A		798,162	36,879	4,149	-	99,091	109,256	14,314
Total noncluster programs pass through the Michigan Department of Education		3,157,164	897,498	162,401	-	997,142	982,878	582,000
Other federal awards:								
U.S. Department of Defense - Direct program - Impact Aid	84.041	20,321	-	-	-	20,321	20,321	-
U.S. Department of Defense - Direct program - MCROTC:	17.250							
2007-2008		25,267	25,267	2,150	-	2,150	-	-
2008-2009		54,675	-	-	-	54,675	54,675	-
Total MCROTC		79,942	25,267	2,150	-	56,825	54,675	-
Total noncluster direct programs		100,263	25,267	2,150	-	77,146	74,996	-
Passed through the Wayne County ISD:								
Vocational Education - Basic Grants to States - Perkins III:	84.048							
2007-2008		56,520	56,510	26,459	-	26,459	-	-
2008-2009		45,216	-	-	-	21,839	45,216	23,377
Total Vocational Education - Basic Grants to States - Perkins III		101,736	56,510	26,459	-	48,298	45,216	23,377

School District of the City of River Rouge

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2008	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
Other federal awards (Continued):								
Passed through the Wayne County ISD (Continued):								
Safe and Drug-free Schools and Communities - 2008-2009	84.186	\$ 9,100	\$ -	\$ -	\$ -	\$ 9,100	\$ 9,100	\$ -
Total noncluster programs passed through the Wayne County ISD		110,836	56,510	26,459	-	57,398	54,316	23,377
Total U.S. Department of Education noncluster programs		3,268,000	954,008	188,860	-	1,054,540	1,037,194	605,377
U.S. Department of Justice - Passed through the City of River Rouge Police Department - COPS Secure our Schools Initiative - 2006CKWX0628	16.710	27,330	-	(1,500)	1,500	-	-	-
Total federal awards		<u>\$ 5,655,177</u>	<u>\$ 1,881,797</u>	<u>\$ 298,971</u>	<u>\$ 1,500</u>	<u>\$ 2,029,022</u>	<u>\$ 2,460,793</u>	<u>\$ 732,242</u>

School District of the City of River Rouge

Notes to Schedule of Expenditures of Federal Awards June 30, 2009

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District of the City of River Rouge and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Adjustments and Transfers

District adjusted its general ledger for the COPS grant to recognize revenue it had received in a previous year. Amount of adjustment was \$1,500.

School District of the City of River Rouge

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): 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 program(s):

CFDA Numbers	Name of Federal Program or Cluster
10.555 and 10.553	Child Nutrition Cluster
84.027	IDEA Cluster
84.010	Title I
84.394	ARRA Stabilization Funds

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

Auditee qualified as low-risk auditee? Yes No

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings

Reference Number	Findings
2009-1	<p>Finding Type - Noncompliance and significant deficiency</p> <p>Criteria - Districts that have an approved Deficit Elimination Plan (DEP) are required to have an amended plan approved when expenditures are in excess of allowed budget.</p> <p>Condition/Cause/Context - The School District has several expenditure lines that are in excess of final budgeted amounts and DEP.</p> <p>Effect - The School District is not on track to come out of its current deficit under the required time line as indicated in the approved DEP.</p> <p>Recommendation - The School District should file an amended deficit reduction plan with the State of Michigan. Budgeted expenditures should be brought in line with the available revenue sources.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District is working with the state to file an amended deficit reduction plan. They are also seeking approval for the plan to cover a five-year period.</p>
2009-2	<p>Finding Type - Material weakness</p> <p>Criteria - Entities that have assets (i.e., buildings) that are not meeting their intended purpose, have lost capacity, or are damaged in some way should be evaluated to determine if the recorded value has been impaired.</p> <p>Condition/Cause/Context - The School District owns an empty building that has not been used for several years in its intended capacity (it is currently closed). Substantial renovations would be required to allow it to be functional.</p> <p>Effect - Because the building has been closed and is not being used for its intended purpose, the magnitude of this change is considered to be significant. This change is deemed to be an impairment of the building's value. An audit adjustment was made to record the impairment in the amount of \$1 million.</p> <p>Recommendation - The School District should review buildings as well as other assets as they are taken out of use to determine if their value has been impaired.</p>

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2009-3	<p>Finding Type - Significant deficiency</p> <p>Criteria - The School District's internal control structure should ensure that accounting data is properly calculated and reported in accordance with generally accepted accounting principles.</p> <p>Condition/Context - The School District is required to calculate an accrual for the present value of the post-employment benefits and record a liability on the government-wide financial statements in conjunction with GASB #45.</p> <p>Cause/Effect - Several assumptions, such as an inflation increase on the monthly premiums, were not taken into account, causing the original liability to be understated. Adjusting the premiums for inflation increased the outstanding liability by approximately \$1.8 million.</p> <p>Recommendation - We recommend the School District involve outside legal counsel and possibly an actuary to gain an understanding of the potential liability exposure as well as calculate the amount.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District has involved outside legal counsel to evaluate the potential exposure as well as finding alternative opportunities for relieving the School District of the liability.</p>

School District of the City of River Rouge

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings

Reference Number	Findings
2009-4	<p>Program Name - Child Nutrition Cluster (CFDA # 10.555 and 10.553)</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant deficiency and noncompliance</p> <p>Criteria - In accordance with regulation 7 CFR 210.8(l)(l), a school district with more than one building is required to perform a site review of each building annually before February 1.</p> <p>Condition/Context - The School District did not complete the annual on-site review for any of its buildings this year.</p> <p>Questioned Costs - None</p> <p>Cause and Effect - The School District had a change in personnel and with no documented processes in place to indicate the review was required, it was overlooked.</p> <p>Recommendation - The School District should implement procedures to ensure its annual on-site review is completed by February 1 in order to comply with the requirements set forth in the food service administrative policy.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District had a change in personnel and is currently in the process of evaluating and re-assigning responsibilities.</p>