

# **School District of the City of River Rouge**

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**Federal Awards  
Supplemental Information  
June 30, 2010**

# School District of the City of River Rouge

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## 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, 2010, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2010. This report includes an emphasis of matter paragraph describing the deficit position of the General Fund. 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.

As more fully described in the management's discussion and analysis section and Note 2 to the financial statements, the School District has incurred expenditures in excess of revenue of \$890,497 in the General Fund. The General Fund is in a \$3,055,907 deficit position at June 30, 2010. Management represents that the School District anticipates a further loss of students for the fiscal year ending June 30, 2011 and ongoing significant cash flow issues with limited borrowing options. State law requires the School District to continue to implement cost-cutting initiatives that will enable it to bring expenditures in line with expected current revenue and eliminate the General Fund deficit.

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 and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules 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 15, 2010

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 as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2010. 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. This report includes an emphasis of matter paragraph describing the deficit position of the General Fund.

**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 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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2.

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 15, 2010.

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 15, 2010

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance 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, 2010. 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, 2010.

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 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 the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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.

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 15, 2010

# School District of the City of River Rouge

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/Payments In-kind Received	Federal Expenditures	Accrued or Revenue at June 30, 2010
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Noncash Assistance (Commodities):								
Entitlement Commodities	10.555	\$ 28,335	\$ -	\$ -	\$ -	\$ 28,335	\$ 28,335	\$ -
Bonus Commodities		4,833	-	-	-	4,833	4,833	-
Noncash Assistance		33,168	-	-	-	33,168	33,168	-
Cash Assistance:								
National School Breakfast Program - 2008-2009	10.553	153,672	153,672	26,262	-	26,262	-	-
National School Breakfast Program - 2009-2010		124,551	-	-	-	116,124	124,551	8,427
Total National School Breakfast Program		278,223	153,672	26,262	-	142,386	124,551	8,427
National School Lunch Program:								
2008-2009 Snacks	10.555	4,055	4,055	868	-	868	-	-
2009-2010 Snacks		11,271	-	-	-	10,631	11,271	640
2008-2009 Lunch		339,345	339,345	49,544	-	49,544	-	-
2009-2010 Lunch		401,308	-	-	-	375,906	401,308	25,402
Total National School Lunch Program		755,979	343,400	50,412	-	436,949	412,579	26,042
Summer Food Service Program - 2009-2010	10.559	19,829	-	-	-	16,314	19,829	3,515
Total Cash Assistance		1,054,031	497,072	76,674	-	595,649	556,959	37,984
Total Child Nutrition Cluster		1,087,199	497,072	76,674	-	628,817	590,127	37,984
Medicaid Cluster - U.S. Department of Health & Human Services - Passed through the Wayne County ISD - Medical Assistance - Program (Medicaid, Title XIX) - Medicaid Outreach - 2009-10								
	93.778	23,071	-	-	-	21,746	23,071	1,325

# School District of the City of River Rouge

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/Payments In-kind Received	Expenditures	Accrued or Revenue at June 30, 2010
Clusters (Continued):								
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD - IDEA:								
ARRA - IDEA, Part B, Recovery Act -								
Project number 100455-0910	84.391	\$ 375,637	\$ -	\$ -	\$ -	\$ 301,431	\$ 375,637	\$ 74,206
IDEA, Part B - Flowthrough Regular:								
Project number 90450-0809	84.027	363,177	354,718	50,191	-	50,191	-	-
Project number 90450-0809 Carryover		8,459	-	-	(3,450)	8,459	11,909	-
Project number 100450-0910		356,671	-	-	-	225,881	277,498	51,617
Total Special Education Cluster		1,103,944	354,718	50,191	(3,450)	585,962	665,044	125,823
State Fiscal Stabilization Fund Cluster - U.S. Department of Education - Passed through the Michigan Department of Education - ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grants Recovery Act (Education Stabilization Fund):								
Project number 0809	84.394	433,863	433,863	433,863	-	433,863	-	-
Project number 0910		327,168	-	-	-	327,168	327,168	-
Total State Fiscal Stabilization Fund Cluster		761,031	433,863	433,863	-	761,031	327,168	-
Title I, Part A Cluster - U.S. Department of Education - Passed through the Michigan Department of Education:								
ARRA - Title I Grants to Educational Agencies, Recovery Act -								
Project number 1015350910	84.389	1,083,893	-	-	-	544,160	685,439	141,279
Title I, Part A:								
Project number 0915300809	84.010	1,240,242	754,779	129,814	(2,826)	305,597	178,609	-
Project number 0915300910		1,710,520	-	-	-	610,834	856,643	245,809
Project number 0915300910		60,000	-	-	-	-	-	-
Total Title I, Part A Cluster		4,094,655	754,779	129,814	(2,826)	1,460,591	1,720,691	387,088
Total Clusters		7,069,900	2,040,432	690,542	(6,276)	3,458,147	3,326,101	552,220

# School District of the City of River Rouge

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/Payments In-kind Received	Expenditures	Accrued or Revenue at June 30, 2010
Other federal awards:								
U.S. Department of Education -								
Passed through the Michigan Department of Education:								
ARRA Equipment Assistance - Project number 0919950910	10.579	\$ 25,000	\$ -	\$ -	\$ -	\$ 21,768	\$ 21,768	\$ -
Title V LEA Allocation - Project number 0902500809	84.298	4,997	4,730	1,265	-	1,265	-	-
Technology Literacy Challenge Fund Grant:								
Project number 094900809	84.318	14,855	4,323	2,744	-	4,241	1,497	-
Project number 1042900910		9,137	-	-	-	-	-	-
Total Technology Literacy Challenge Fund Grant		23,992	4,323	2,744	-	4,241	1,497	-
Title II A - Improving Teacher Quality:								
Project number 0905200809	84.367	495,237	97,980	14,314	-	256,563	242,249	-
Project number 1005200910		410,533	-	-	-	216,881	278,376	61,495
Total Title II A		905,770	97,980	14,314	-	473,444	520,625	61,495
Total noncluster programs passed through the Michigan Department of Education		959,759	107,033	18,323	-	500,718	543,890	61,495
U.S. Department of Defense - Direct Program:								
Impact Aid	84.041	15,192	-	-	-	15,192	15,192	-
MCROTC - 2009-2010	17.250	31,195	-	-	-	31,196	33,665	2,469
Total U.S. Department of Defense - Direct Program		46,387	-	-	-	46,388	48,857	2,469
U.S. Department of Education - Direct Program -								
Readiness and Energy Management for Schools - Project Number Q184E09188	84.184	248,365	-	-	-	80,731	94,830	14,099
Total noncluster direct programs		294,752	-	-	-	127,119	143,687	16,568
U.S. Department of Justice - Passed through the City of River Rouge								
Police Department - COPS Secure Our Schools Incentive - 2006CKWX0628	16.710	29,242	-	-	-	29,242	29,242	-

# School District of the City of River Rouge

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or Revenue at July 1, 2009	Adjustments and Transfers	Federal Funds/Payments In-kind Received	Expenditures	Accrued or Revenue at June 30, 2010
Other federal awards (Continued):								
Passed through the Wayne County ISD:								
Vocational Education - Basic Grants to States - Perkins III:	84.048							
2008-2009		\$ 42,216	\$ 45,216	\$ 23,377	\$ -	\$ 23,377	\$ -	\$ -
2009-2010		43,098	-	-	-	20,234	43,098	22,864
Total Vocational Education - Basic Grants to States - Perkins III		85,314	45,216	23,377	-	43,611	43,098	22,864
Safe and Drug-free Schools and Communities 2009-2010	84.186	8,600	-	-	-	8,600	8,600	-
Title I Accountability Grant	84.377A	12,394	-	-	-	5,353	5,353	-
Total noncluster programs passed through the Wayne County ISD		106,308	45,216	23,377	-	57,564	57,051	22,864
Passed through the Washtenaw County ISD -								
Title II D Educational Technology 2009-2010	84.318	200,000	-	-	-	36,200	36,200	-
Passed through the Monroe County ISD -								
Tech Prep 2009-2010	84.243	2,154	-	-	-	-	1,262	1,262
Passed through Wayne Metro -								
21st Century Community Learning - 2009-2010	84.287	45,000	-	-	-	15,607	36,952	21,345
Total federal awards		<u>\$ 8,707,115</u>	<u>\$ 2,192,681</u>	<u>\$ 732,242</u>	<u>\$ (6,276)</u>	<u>\$ 4,224,597</u>	<u>\$ 4,174,385</u>	<u>\$ 675,754</u>

# School District of the City of River Rouge

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## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,168,109
Add adjustments from Title I and IDEA funds related to prior year credits	<u>6,276</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 4,174,385</u></u>

# School District of the City of River Rouge

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the School District of the City of River Rouge under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the School District of the City of River Rouge, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the School District of the City of River Rouge.

### **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**

During the year ended June 30, 2010, adjustments of \$3,450 for special education and \$2,826 for Title I totaled \$6,276, which resulted from a prior year credit adjustment at year end.

# School District of the City of River Rouge

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

### 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 programs:

CFDA Numbers	Name of Federal Program or Cluster
84.394	Education Grants, Recovery Act (Education Stabilization Funds)
84.010, 84.389	Title I Cluster
10.555, 10.553, 10.559	Child Nutrition Cluster
84.367	Title II Part A
84.391, 84.027	IDEA, Special Education Cluster

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, 2010

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-1	<p><b>Finding Type</b> - Noncompliance and material weakness</p> <p><b>Criteria</b> - Districts that have an approved deficit elimination plan (DEP) are required to have an amended plan approved when expenditures and revenue do not conform to amounts specified in the plan.</p> <p><b>Condition/Cause/Context</b> - The School District's revenue and expenditures did not conform to the budgeted amounts indicated in its deficit elimination plan, and the School District has not made sufficient progress to eliminate its deficit within the prescribed time frame.</p> <p><b>Effect</b> - The School District is not making progress to eliminate its current deficit under the required time line as indicated in the approved DEP covering a three-year period.</p> <p><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - The School District is working with the State to file an amended deficit reduction plan.</p>

# School District of the City of River Rouge

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2010-2	<p><b>Finding Type</b> - Noncompliance and material weakness</p> <p><b>Criteria</b> - During the year, the School District did not make scheduled payments of principal and interest on its energy conservation agreement loan and is in default of the loan's contractual provisions.</p> <p><b>Condition/Cause/Context/Effect</b> - Due to a dispute with the Honeywell Company, the School District has withheld its interest and principal payment of \$343,811, thus defaulting on its payment agreement. These amounts are presented as current obligations within the General Fund.</p> <p><b>Recommendation</b> - The School District, in conjunction with its outside legal counsel, should evaluate its potential exposure and find a resolution to this dispute.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The School District is working with its legal counsel to resolve the dispute.</p>

### Section III - Federal Program Audit Findings

Reference Number	Findings
	None