

**Romeo Community Schools**

**Single Audit Report**

**June 30, 2020**



## Table of Contents

	<b>Page</b>
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
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	11
Corrective Action Plan	12



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## **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***

### **Independent Auditors' Report**

Management and the Board of Education  
Romeo Community Schools  
Romeo, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Romeo Community Schools' basic financial statements, and have issued our report thereon dated September 4, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Romeo Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Romeo Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Romeo Community Schools' internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying or schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Romeo Community Schools' financial statements are free from 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*.

## **Romeo Community School's Response to Findings and Corrective Action Plan**

Romeo Community School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Romeo Community School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
September 4, 2020



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## **Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Management and the Board of Education  
Romeo Community Schools  
Romeo, Michigan

#### **Report on Compliance for Each Major Federal Program**

We have audited Romeo Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Romeo Community Schools' major federal programs for the year ended June 30, 2020. Romeo Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Romeo Community Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Romeo 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Romeo Community Schools' compliance.

## ***Opinion on Major Federal Program***

In our opinion, Romeo Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## **Report on Internal Control over Compliance**

Management of Romeo Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Romeo Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Romeo Community Schools' internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Romeo Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Romeo Community Schools' basic financial statements. We issued our report thereon dated September 4, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of

expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
September 4, 2020

**Romeo Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2019	Current Year Expenditures	Current Year Receipts (Payments)	Accrued Revenue June 30, 2020
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through Michigan Department of Education								
Food Distribution								
Non-cash assistance (commodities)	50190	10.555	\$ 80,832	\$ -	\$ -	\$ 80,832	\$ 80,832	\$ -
Passed through Michigan Department of Education								
Cash assistance								
School Breakfast Program 2019-20	201970	10.553	54,097	-	-	54,097	54,097	-
School Breakfast Program 2018-19	191970		81,691	74,855	-	6,836	6,836	-
					-	60,933	60,933	-
National School Lunch								
COVID-19 Cares Act Summer Food Service Program 2019-20	200902	10.555	283,313	-	-	283,313	283,313	-
National School Lunch Program 2019-20	201960		280,383	-	-	280,383	280,383	-
National School Lunch Program 2018-19	191960		488,288	432,712	-	55,576	55,576	-
					-	619,272	619,272	-
Total Child Nutrition Cluster					-	761,037	761,037	-
U.S. Department of Education								
Special Education Cluster								
Passed through Macomb County Intermediate School District								
Special Education Grants to States 2019-20	200450	84.027	965,004	-	-	936,886	621,965	314,921
Special Education Grants to States 2018-19	190450		980,781	964,372	276,506	16,409	286,537	6,378
					276,506	953,295	908,502	321,299
Special Education Preschool Grants 2019-20	200460	84.173	34,991	-	-	34,991	22,229	12,762
Special Education Preschool Grants 2018-19	190460		41,391	41,391	5,600	-	5,600	-
					5,600	34,991	27,829	12,762
Total Special Education Cluster					282,106	988,286	936,331	334,061

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Romeo Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Federal CFDA Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2019	Current Year Expenditures	Current Year Receipts (Payments)	Accrued Revenue June 30, 2020
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies 2019-20	201530	84.010	\$ 408,957	\$ -	\$ -	\$ 374,221	\$ 270,924	\$ 103,297
Title I Grants to Local Educational Agencies 2018-19	191530		435,941	408,648	110,965	16,619	127,584	-
					<u>110,965</u>	<u>390,840</u>	<u>398,508</u>	<u>103,297</u>
Supporting Effective Instruction State Grants 2019-20	200520	84.367	150,902	-	-	111,477	73,855	37,622
Supporting Effective Instruction State Grants 2018-19	190520		185,542	89,519	36,653	28,873	65,526	-
					<u>36,653</u>	<u>140,350</u>	<u>139,381</u>	<u>37,622</u>
English Language Acquisition State Grants 2019-20	200580	84.365	38,388	-	-	29,480	17,817	11,663
English Language Acquisition State Grants 2018-19	190580		36,145	24,855	4,258	-	4,258	-
					<u>4,258</u>	<u>29,480</u>	<u>22,075</u>	<u>11,663</u>
Student Support and Academic Enrichment Program 2019-20	200750	84.424	56,038	-	-	37,811	13,434	24,377
Student Support and Academic Enrichment Program 2018-19	190750		35,250	8,084	1,206	-	1,206	-
					<u>1,206</u>	<u>37,811</u>	<u>14,640</u>	<u>24,377</u>
Passed through Macomb County Intermediate School District								
Career and Technical Education - Basic Grants to States 2019-20	203520	84.048	63,880	-	-	63,880	28,364	35,516
Career and Technical Education - Basic Grants to States 2018-19	193520		51,404	51,404	23,633	-	23,633	-
					<u>23,633</u>	<u>63,880</u>	<u>51,997</u>	<u>35,516</u>
Total Department of Education					<u>458,821</u>	<u>1,650,647</u>	<u>1,562,932</u>	<u>546,536</u>
U.S. Department of Health and Human Services								
Passed through Macomb County Community Services Agency								
Head Start 2019-20	05CH8330	93.600	4,243	-	-	4,243	4,243	-
					<u>\$ 458,821</u>	<u>\$ 2,415,927</u>	<u>\$ 2,328,212</u>	<u>\$ 546,536</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Romeo Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2020**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Romeo Community Schools under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Romeo Community Schools, it is not intended to and does not present the financial position and changes in financial positions of Romeo Community Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Romeo Community Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.

**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

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.

**Romeo Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2020**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

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

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(s) identified that are not considered to be material weaknesses?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?        yes   X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553 & 10.555	Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes        no

**Romeo Community Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2020**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

**2020-001 – Material Weakness – Audit Adjustment**

Specific Requirement:	Michigan Department of Education states that financial statements and records should be free of errors that could change the user's overall assessment of the entity's finances
Condition:	The prior year salary accrual was not properly reversed in the current year.
Cause/Effect:	An audit adjustment was required to correctly reverse the UAAL portion of the prior year salary accrual in the amount of \$378,702, and the related expenditure accounts. This entry had a material effect on the financial statements.
Recommendation:	We recommend management ensures that year end accrual entries are properly reversed in the current year.
Views of Responsible officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan.

**SECTION III - FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.

**Romeo Community Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2020**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

**FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.



**CORRECTIVE ACTION PLAN**

2020-001 Material Weakness – Audit Adjustment

Responsible for Corrective Action: Vicki Laseke, Director of Business Services

The finding identified that the prior year salary accrual was not properly reversed in the current year, causing an audit adjustment that reversed the UAAL portion of the prior year salary accrual which had a material effect on the financial statements.

To prevent the above identified finding from occurring in the future, the Business Office Supervisor and the Director of Business Services will meet monthly to review the Monthly Activity Checklist, which lists processes that are to be completed prior to the month end close. One of the steps in the review process is to “review journal entries”. During the journal entry review for prior year accruals, each journal entry will be examined by the Director of Business Services to ensure that the accruals have been reversed properly.

The journal entry will be approved and signed off by the Director of Business Services. This Corrective Action Plan will be completed by September 30, 2020.

A handwritten signature in black ink that reads 'Vicki Laseke'.

Vicki Laseke

Director of Business Services