

Romeo Community Schools

Single Audit Report

June 30, 2021



Table of Contents

	Page
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, 2021, 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 20, 2021.

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) as a basis for designing 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 2021-001 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 financial statements. 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 Schools' 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 20, 2021



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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, 2021. 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, 2021.

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, 2021, and the related notes to the financial statements, which collectively comprise Romeo Community Schools' basic financial statements. We issued our report thereon dated September 20, 2021, 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 20, 2021

Romeo Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Assistance Listing Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2020	Current Year Expenditures	Current Year Receipts (Payments)	Accrued Revenue June 30, 2021
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Food Distribution								
Non-cash assistance (commodities)	50190	10.555	\$ 78,099	\$ -	\$ -	\$ 78,099	\$ 78,099	\$ -
Bonus			624	-	-	624	624	-
					-	78,723	78,723	-
Cash assistance								
COVID-19 SFSP Operating 2020-21	200900	10.559	48,958	-	-	48,958	48,958	-
COVID-19 Extended SFSP 2020-21	210904		1,321,051	-	-	1,321,051	1,226,462	94,589
					-	1,370,009	1,275,420	94,589
Total Department of Agriculture and total Nutrition Cluster					-	1,448,732	1,354,143	94,589
U.S. Department of Treasury								
Passed through Michigan Department of Education								
COVID-19 11p Coronavirus Relief 2020-21	N/A	21.019	1,825,166	-	-	1,825,166	1,825,166	-
COVID-19 103(2) District COVID Costs 2020-21	N/A		64,256	-	-	64,256	64,256	-
Passed through Copper Country Intermediate School District								
COVID-19 MAISA Distance Learning 2020-21	N/A	21.019	31,912	-	-	31,912	31,912	-
Passed through Macomb County Intermediate School District								
COVID-19 MISD Technology 2020-21	N/A	21.019	194,587	-	-	194,587	194,587	-
Total Department of Treasury					-	2,115,921	2,115,921	-
U.S. Department of Education								
Passed through Macomb County Intermediate School District								
Special Education Cluster								
Special Education Grants to States 2020-21	210450	84.027	950,948	-	-	950,948	463,474	487,474
Special Education Grants to States 2019-20	200450		965,004	936,886	314,921	28,118	327,700	15,339
Special Education Grants to States 2018-19	190450		980,781	980,781	6,378	-	6,378	-
					321,299	979,066	797,552	502,813
Special Education Preschool Grants 2020-21	210460	84.173	31,571	-	-	31,571	14,903	16,668
Special Education Preschool Grants 2019-20	200460		34,991	34,991	12,762	-	12,762	-
					12,762	31,571	27,665	16,668
Total Special Education Cluster					334,061	1,010,637	825,217	519,481

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, 2021

Federal Grantor Pass Through Grantor Program Title	Grant/Project Number	Assistance Listing Number	Approved Grant Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue July 1, 2020	Current Year Expenditures	Current Year Receipts (Payments)	Accrued Revenue June 30, 2021
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies 2020-21	211530	84.010	\$ 429,749	\$ -	\$ -	\$ 423,013	\$ 338,573	\$ 84,440
Title I Grants to Local Educational Agencies 2019-20	201530		408,957	374,221	<u>103,297</u>	<u>-</u>	<u>103,297</u>	<u>-</u>
					<u>103,297</u>	<u>423,013</u>	<u>441,870</u>	<u>84,440</u>
Supporting Effective Instruction State Grants 2020-21	210520	84.367	154,790	-	-	50,123	28,330	21,793
Supporting Effective Instruction State Grants 2019-20	200520		150,902	111,477	<u>37,622</u>	<u>-</u>	<u>37,622</u>	<u>-</u>
					<u>37,622</u>	<u>50,123</u>	<u>65,952</u>	<u>21,793</u>
English Language Acquisition State Grants 2020-21	210580	84.365	40,564	-	-	30,387	24,667	5,720
English Language Acquisition State Grants 2019-20	200580		38,388	29,480	<u>11,663</u>	<u>-</u>	<u>11,663</u>	<u>-</u>
					<u>11,663</u>	<u>30,387</u>	<u>36,330</u>	<u>5,720</u>
Student Support and Academic Enrichment Program 2020-21	210750	84.424	42,271	-	-	18,815	16,300	2,515
Student Support and Academic Enrichment Program 2019-20	200750		56,038	37,811	<u>24,377</u>	<u>-</u>	<u>24,377</u>	<u>-</u>
					<u>24,377</u>	<u>18,815</u>	<u>40,677</u>	<u>2,515</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	203710	84.425D	325,957	-	-	<u>290,542</u>	<u>-</u>	<u>290,542</u>
Passed through Macomb County Intermediate School District								
Career and Technical Education - Basic Grants to States 2020-21	213520	84.048	60,153	-	-	60,153	28,015	32,138
Career and Technical Education - Basic Grants to States 2019-20	203520		63,880	63,880	<u>35,516</u>	<u>-</u>	<u>35,516</u>	<u>-</u>
					<u>35,516</u>	<u>60,153</u>	<u>63,531</u>	<u>32,138</u>
Total Department of Education					<u>546,536</u>	<u>1,883,670</u>	<u>1,473,577</u>	<u>956,629</u>
U.S. Department of Health and Human Services								
Passed through Macomb County Community Services Agency								
Head Start 2020-21	05CH8330	93.600	3,500	-	-	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Federal Programs					<u>\$ 546,536</u>	<u>\$ 5,451,823</u>	<u>\$ 4,947,141</u>	<u>\$ 1,051,218</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, 2021

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, 2021. 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 following reconciled the federal revenue reported in the June 30, 2021 financial statements to the expenditures on Romeo Community Schools administered federal programs reported on the schedule of expenditures of federal awards:

Federal expenditures per the schedule of expenditures of federal awards	\$ 5,451,823
Child Care Relief Fund Grants received as a beneficiary	<u>16,300</u>
Federal revenue per the financial statements	<u><u>\$ 5,468,123</u></u>

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.

Note 6 - Prior Year Expenditures

Certain grants that were awarded as a result of COVID-19, allowed recipients to reimburse eligible costs incurred during the prior year ended June 30, 2020. Therefore, \$281,810 of prior year expenditures related to 21.019 Coronavirus Relief Funds are included in the June 30, 2021 Schedule of Expenditures of Federal Awards.

Romeo Community Schools
Schedule of Findings and Questioned Costs
June 30, 2021

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>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.019 84.425D	Coronavirus Relief Funds Elementary and Secondary School Emergency Relief (ESSER) Formula

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

Auditee qualified as low-risk auditee? yes X no

Romeo Community Schools
Schedule of Findings and Questioned Costs
June 30, 2021

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

2021-001 – 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: A Sinking Fund invoice was not properly recorded in accounts payable as of June 30, 2021.

Cause/Effect: An audit adjustment was required to record additional expenditures and accounts payable in the Sinking Fund in the amount of \$244,338. This entry had a material effect on the financial statements.

Recommendation: We recommend management ensures that all invoices close to year end are properly reviewed and recorded in the fiscal year in which the expenditures were incurred or services received.

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, 2021.

Romeo Community Schools
Summary Schedule of Prior Audit Findings
June 30, 2021

SECTION IV – PRIOR AUDIT FINDINGS

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.

Status: The recommendation has been implemented.

FEDERAL AWARD FINDINGS

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



CORRECTIVE ACTION PLAN

2021-001 Material Weakness – Audit Adjustment

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

The finding identified that an invoice related to the Sinking Fund was not properly recorded in accounts payable and expenditures in current year, causing an audit adjustment that has 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 perform a final review of the accounts payable batches before the processing of year end invoices. During the final review for accounts payable accruals, each invoice will be examined by the Director of Business Services to ensure that the invoices have been accrued properly.

The final accounts payable year end accrual will be approved and signed off by the Director of Business Services. This Corrective Action Plan will be completed during the year end process for the 2022 fiscal year by August 30, 2022.

Vicki Laseke
Director of Business Services

BUSINESS SERVICES OFFICE

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