

**NOVI COMMUNITY SCHOOL
DISTRICT, MICHIGAN**

**SINGLE AUDIT
REPORTING PACKAGE**

JUNE 30, 2006



DOEREN MAYHEW
Certified Public Accountants and Consultants

To the Board of Education of the
Novi Community School District, Michigan

We have audited the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Novi Community School District, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006, which was unqualified. 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Novi Community School District, Michigan are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Novi Community School District, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

DOEREN MAYHEW

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

A handwritten signature in black ink, appearing to read "Doeren Mayhew". The signature is written in a cursive style with a large initial "D".

DOEREN MAYHEW

September 21, 2006
Troy, Michigan



To the Board of Education of the
Novi Community School District, Michigan

Compliance

We have audited the compliance of the Novi Community School District, Michigan 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, 2006. Novi Community School District, Michigan's major federal programs 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 Novi Community School District, Michigan's management. Our responsibility is to express an opinion on Novi Community School District, Michigan'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 Novi Community School District, Michigan'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 of Novi Community School District, Michigan's compliance with those requirements.

As described in item 02-1 in the accompanying Schedule of Findings and Questioned Costs, Novi Community School District, Michigan did not comply with requirements regarding special tests and provisions that are applicable to Special Education. Compliance with such requirements is necessary, in our opinion for Novi Community School District, Michigan to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Novi Community School District, Michigan 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, 2006.

DOEREN MAYHEW

Internal Control Over Compliance

The management of Novi Community School District, Michigan 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 Novi Community School District, Michigan'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Novi Community School District, Michigan. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Novi Community School District, Michigan. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.

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



DOEREN MAYHEW

September 21, 2006
Troy, Michigan

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

SECTION I

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of Novi Community School District, Michigan.
2. No reportable conditions were noted on the internal control over financial reporting.
3. No material instances of noncompliance were noted during the general purpose financial statements audit.
4. No reportable conditions were noted on the internal control over major federal awards programs.
5. The auditor's report on the compliance for the major federal awards programs for Novi Community School District, Michigan expresses a qualified opinion.
6. Audit findings or questioned costs per Section 510(b) of Circular A-133 relative to major federal awards programs for Novi Community School District, Michigan were noted.
7. The program tested as a major program included: Federal Assistance for the Education of Handicapped Persons - Special Education, CFDA No. 84.027.
8. Total federal expenditures amounted to \$1,468,059. One individual program exceeded \$300,000 in expenditures. Therefore, there was one Type A program: Federal Assistance for the Education of Handicapped Persons - Special Education, CFDA No. 84.027. Novi Community School District, Michigan had two programs that expended between \$300,000 and \$100,000, which would be considered Type B programs. The low risk Type B programs were the Title II, Part A Program CFDA No. 84.367 and the National School Lunch Program CFDA No. 10.555. No Type B programs were selected for testing.
9. The Novi Community School District, Michigan does not qualify as a low-risk auditee.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

SECTION II

FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

SECTION III

FINDINGS - FEDERAL AWARDS AUDIT

02-1 Reportable Condition

Finding Type

Material noncompliance.

Federal Program

U.S. Department of Education, passed through the Oakland County Intermediate School District, Special Education, CFDA #84.027.

Criteria

Pursuant to the Michigan Administrative Rules for Special Education, Section R 340.1721d, Rule 21e (2) (b) an Individual Education Plan (IEP) must be prepared for all special education students annually.

Condition

One participant in the special education program did not have a current IEP in their file.

Recommendation and Response

We recommend, and the Novi Community School District, Michigan concurs, that current IEP's should be filled out for each participant in the special education program. At the beginning of each school year, the files of all students in the program should be reviewed and verified that the proper documentation is present.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2006**

SECTION IV

FINDING NUMBER 02-1

Responsible Individual:

James Koster

Corrective Action Planned:

Management will ensure that an IEP is completed for each participant in the special education program. Management will also ensure that the files of all special education participants are reviewed at the beginning of each school year to verify that proper documentation is included.

Management's Response:

Management agrees with the finding and the recommendation.

Anticipated Completion Date:

June 30, 2007

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

SECTION V

FINDING - FEDERAL AWARDS AUDIT

Department of Education

Finding 02-1

Condition

During our testing, we noted that one participant in the special education program did not have a current IEP in their file pursuant to the Michigan Administrative Rules for Special Education, Section R 340.1721d, Rule 21e (2) (b).

Recommendation and Response

We recommended, and the Novi Community School District, Michigan concurred, that current IEP's should be filled out for each participant in the special education program. At the beginning of each school year, the files of all students in the program should be reviewed to verify that the proper documentation was included.

Current Status

No change in status.

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Education - Passed Through Michigan Department of Education</u>									
<u>Title V, Part A - Innovative Education Program Strategies</u>									
050250-0506 Regular	84.298	\$ 2,506	\$ -	\$ -	\$ -	\$ 2,506	\$ 2,506	\$ 2,506	\$ -
Total Title V, Part A - Innovative Education Program Strategies		2,506	-	-	-	2,506	2,506	2,506	-
<u>Title II, Part A - Teacher/Principal Training and Recruiting</u>									
050520-0405 Regular	84.367	126,303	43,418	68,540	-	99,008	55,589	55,589	-
050520-0506 Carryover	84.367	2,174	-	-	-	2,174	2,174	2,174	-
060520-0506 Regular	84.367	125,747	-	-	-	26,960	81,512	81,512	54,552
Total Title II, Part A - Teacher/Principal Training and Recruiting		254,224	43,418	68,540	-	128,142	139,275	139,275	54,552
<u>Title III - Limited English Proficiency</u>									
050580-0405 Regular	84.365A	80,594	12,659	36,483	-	35,012	22,353	22,353	-
050580-0506 Regular	84.365A	21,758	-	-	-	19,547	21,757	21,757	2,210
060580-0506 Regular	84.365A	109,018	-	-	-	17,579	41,569	41,569	23,990
Total Title III - Limited English Proficiency		211,370	12,659	36,483	-	72,138	85,679	85,679	26,200

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Continued</u>									
<u>Federal Drug-Free Schools and Communities</u>									
052860-0405 Regular	84.186A	\$ 15,278	\$ 2,285	\$ 15,278	-	\$ 2,285	\$ -	\$ -	\$ -
062860-0506 Regular	84.186A	15,593	-	-	-	9,017	14,223	14,223	5,206
Total Federal Drug-Free Schools and Communities		30,871	2,285	15,278	-	11,302	14,223	14,223	5,206
<u>Title II - Adult Education and Literacy</u>									
051130-510605	84.002A	48,000	-	-	-	35,943	47,427	47,427	11,484
Total Title II - Adult Education and Literacy		48,000	-	-	-	35,943	47,427	47,427	11,484

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Continued</u>									
<u>English Literacy and Civics Education</u>									
051120-5500624	84.002A	\$ 27,600	\$ 2,685	\$ 26,243	\$ -	\$ 2,685	\$ -	\$ -	\$ -
061120-6500625	84.002A	19,300	-	-	-	12,488	19,300	19,300	6,812
Total English Literacy and Civics Education		46,900	2,685	26,243	-	15,173	19,300	19,300	6,812
<u>Emergency Impact Aid - Hurricane Katrina Relief</u>									
064120-1	84.938	4,713	-	-	-	-	4,713	4,713	4,713
064120-NONP	84.938	8,455	-	-	-	-	8,455	8,455	8,455
Total Emergency Impact Aid - Hurricane Katrina Relief		13,168	-	-	-	-	13,168	13,168	13,168
Total U.S. Department of Education - Passed Through Michigan Department of Education		607,039	61,047	146,544	-	265,204	321,578	321,578	117,421

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Oakland County Intermediate School District</u>									
<u>Federal Assistance for the Education of Handicapped Persons - Special Education</u>									
050450 Flowthrough	84.027	\$ 861,824	\$ 21,809	\$ 861,824	\$ -	\$ 21,809	\$ -	\$ -	\$ -
050490 Capacity Building	84.027A	9,210	4,882	4,882	-	4,882	-	-	-
060450 Flowthrough	84.027	902,396	-	-	-	641,198	902,396	902,396	261,198
060460 Preschool	84.027A	29,907	-	-	-	29,907	29,907	29,907	105
Total Federal Assistance for the Education of Handicapped Persons - Special Education		1,803,337	26,691	866,706	-	697,691	932,303	932,303	261,303
<u>Vocational Education - Basic Grants to States (Perkins III)</u>									
053520-501218 Regular	84.048	31,271	13,569	27,768	-	13,569	-	-	-
063520-601218 Regular	84.048	29,297	-	-	-	14,094	25,691	25,691	11,597
Total Vocational Education - Basic Grants to States (Perkins III)		60,568	13,569	27,768	-	27,663	25,691	25,691	11,597
<u>Total U.S. Department of Education - Passed Through Michigan Department of Education - Passed Through Oakland County Intermediate School District</u>									
Total U.S. Department of Education		2,470,944	101,307	1,041,018	-	990,558	1,279,572	1,279,572	390,321
		1,863,905	40,260	894,474	-	725,354	957,994	957,994	272,900

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Health and Human Services - Passed Through Michigan Department of Community Health</u>									
<u>Medicare Catastrophic Coverage Act</u>									
Outreach Project 05 Transportation	93.778	\$ -	\$ -	\$ -	\$ -	191	\$ -	\$ 2,165	\$ -
	93.778	2,165	-	-	-	191	2,165	2,165	1,974
Total U.S. Department of Health and Human Services - Passed Through Michigan Department of Community Health									
		2,165	-	-	-	191	2,165	2,165	1,974
<u>Office for Domestic Preparedness - Passed Through Michigan State Police</u>									
<u>2003 State Homeland Security Grant Program - Part II</u>									
Part II, School Initiative Exercise Grant	97.004	4,474	-	-	-	4,474	4,474	4,474	-
Part II, Equipment	97.004	7,532	-	-	-	7,532	7,532	7,532	-
Total Office for Domestic Preparedness - Passed Through Michigan State Police									
		12,006	-	-	-	12,006	12,006	12,006	-

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Accrued (Deferred) Revenue at 7/1/05	Prior Year Expenditures	Adjustments	Current Year Receipts	Revenue Recognized	Expenditures 7/1/05 - 6/30/06	Accrued (Deferred) Revenue at 6/30/06
<u>U.S. Department of Agriculture - Passed Through Michigan Department of Education</u>									
National School Breakfast Program 05-06	10.553	\$ 2,342	\$ -	\$ -	\$ -	\$ 2,132	\$ 2,342	\$ 2,342	\$ 210
National School Lunch Program 04-05	10.555	113,444	20,586	113,444	-	20,586	-	-	-
National School Lunch Program 05-06	10.555	129,974	-	-	-	104,977	129,974	129,974	24,997
Donated Food Commodities - Bonus	10.550	5,407	-	-	-	5,407	5,407	5,407	-
Donated Food Commodities - Entitlement	10.550	36,593	-	-	-	36,593	36,593	36,593	-
Total U.S. Department of Agriculture - Passed Through Michigan Department of Education		<u>287,760</u>	<u>20,586</u>	<u>113,444</u>	<u>-</u>	<u>169,695</u>	<u>174,316</u>	<u>174,316</u>	<u>25,207</u>
Total all programs		<u>\$ 2,772,875</u>	<u>\$ 121,893</u>	<u>\$ 1,154,462</u>	<u>\$ -</u>	<u>\$ 1,172,450</u>	<u>\$ 1,468,059</u>	<u>\$ 1,468,059</u>	<u>\$ 417,502</u>

See Notes to the Schedule of Expenditures of Federal Awards

**BOARD OF EDUCATION
NOVI COMMUNITY SCHOOL DISTRICT, MICHIGAN**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the Novi Community School District, Michigan. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual cost reports. Novi Community School District, Michigan receives federal awards indirectly through pass-through entities.

Except for the current year receipts column, which is presented on the cash basis of accounting, federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The modified accrual basis of accounting is also used for the general purpose 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*.

Inventory values are based on the USDA value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

Note 2 - Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

Note 3 - Form R1720

Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. The amounts on the R7120 are included on the Schedule of Expenditures of Federal Awards.

