

BROWNSVILLE AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2010

BROWNSVILLE AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2010

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Members of the Board
Brownsville Area School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of BROWNSVILLE AREA SCHOOL DISTRICT as of and for the year ended June 30, 2010 which collectively comprise BROWNSVILLE AREA SCHOOL DISTRICT's basic financial statements, and have issued our report thereon dated November 12, 2010. These financial statements are the responsibility of BROWNSVILLE AREA SCHOOL DISTRICT's management. Our responsibility is to express opinions on these 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 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 discussed in Note 2 to the basic financial statements, management has not recorded a liability for post-retirement benefits in the governmental activities and, accordingly, has not recorded the related expense associated with that liability. Accounting principles generally accepted in the United States of America require that the liability for post-retirement benefits and the related expense be recorded, which would increase liabilities and expenses and decrease net assets of the governmental activities, the business-type activities, and enterprise fund. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities, business-type activities, and enterprise fund is not reasonably determinable.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brownsville Area School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Pittsburgh, Pennsylvania
November 12, 2010

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BROWNSVILLE AREA SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>(Accrued) / Deferred Revenue at June 30, 2009</u>	<u>Federal Grants Receipts</u>	<u>Expenditures</u>	<u>Accrued / (Deferred) Revenue at June 30, 2010</u>
<u>U.S. Department of Agriculture</u>						
Passed Through the Pennsylvania Department of Education:						
School Breakfast Program	10.553	N/A	\$ (15,482)	\$ 161,576	\$ 146,094	\$ -
National School Lunch Program	10.555	N/A	(52,125)	528,115	475,990	-
National School Lunch Program (Food Commodities)	10.555	N/A	-	45,143	45,143	-
Summer Food Service Program for Children	10.559	N/A	(8,949)	18,281	18,332	9,000
ARRA National School Lunch Equipment Program	10.579	129-000011	-	15,260	15,260	-
ARRA National School Lunch Equipment Program	10.579	129-000012	-	15,327	15,327	-
ARRA National School Lunch Equipment Program	10.579	129-000013	-	15,192	15,192	-
Passed Through the Pennsylvania Department of Agriculture:						
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	-	104	104	-
Total U.S. Department of Agriculture			<u>(78,556)</u>	<u>798,998</u>	<u>731,442</u>	<u>9,000</u>
<u>U.S. Department of Education</u>						
Passed Through the Pennsylvania Department of Education:						
Title I Improving Basic Programs	84.010	* 013-090052	-	771,930	753,511	(18,419)
Title I Improving Basic Programs	84.010	* 013-100052	-	513,168	338,626	(174,542)
Academic Achievement Award	84.010	* 077-090052	-	4,400	4,400	-
ARRA Title I Part A Grants to LEA'S	84.389	* 127-100052	-	747,075	833,735	86,660
Title II-A Improving Teacher Quality	84.367	020-090052	-	120,295	132,572	12,277
Title II-A Improving Teacher Quality	84.367	020-100052	-	72,220	121	(72,099)
Safe & Drug Free Schools	84.186	100-100052	-	4,838	4,838	-
ARRA State Fiscal Stabilization Fund	84.394	* 126-10052	-	1,068,773	1,190,730	121,957
Passed Through the Pennsylvania Department of Public Welfare						
School-Based Medicaid ACCESS Program	93.778	044-007052	(3,871)	18,339	14,468	-
Medicaid ACCESS Admin Costs	93.778	Title 19	(8,235)	13,222	4,987	-
Total U.S. Department of Education			<u>(12,106)</u>	<u>3,334,260</u>	<u>3,277,988</u>	<u>(44,166)</u>
Total Federal Awards			<u>\$ (88,662)</u>	<u>\$ 4,133,258</u>	<u>\$ 4,009,430</u>	<u>\$ (35,166)</u>

* Denotes Tested as a Major Program

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

NOTE 1: REPORTING ENTITY

The Brownsville Area School District (the "School District") is the reporting entity for financial reporting purposes is defined in Note 1 to the School District's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education. These practices, as they apply to the School District, are in conformity with U.S. generally accepted accounting principles.

NOTE 3: PROGRAM CLUSTERS

The following program clusters, as defined by OMB Circular A-133, were treated as a single program for determining major programs:

		<u>CFDA #</u>	
Child Nutrition Cluster	10.553	\$	146,094
	10.555		521,133
	10.559		<u>18,332</u>
		\$	<u>685,559</u>
Title I, Part A Cluster	84.010	\$	1,096,537
	84.389		<u>833,735</u>
		\$	<u>1,930,272</u>

NOTE 4: RISK-BASED AUDIT APPROACH

The following Low Risk Type A programs were not audited as major:

<u>Funding Source</u>	<u>Program</u>
10.553/10.555/10.559	Child Nutrition Cluster

The amount expended under programs audited as major federal programs for the year ended June 30, 2010, totaled \$3,121,002 or 77.84% of total federal awards expended.

Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S 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

Members of the Board
Brownsville Area School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of BROWNSVILLE AREA SCHOOL DISTRICT as of and for the year ended June 30, 2010 which collectively comprise BROWNSVILLE AREA SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated November 12, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BROWNSVILLE AREA SCHOOL DISTRICT'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 BROWNSVILLE AREA SCHOOL DISTRICT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BROWNSVILLE AREA SCHOOL DISTRICT'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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in finding 2010-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BROWNSVILLE AREA SCHOOL DISTRICT'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board
Brownsville Area School District

Compliance

We have audited BROWNSVILLE AREA SCHOOL DISTRICT's compliance 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. BROWNSVILLE AREA SCHOOL DISTRICT'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 referred to above is the responsibility of BROWNSVILLE AREA SCHOOL DISTRICT's management. Our responsibility is to express an opinion on BROWNSVILLE AREA SCHOOL DISTRICT'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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about BROWNSVILLE AREA SCHOOL DISTRICT'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 BROWNSVILLE AREA SCHOOL DISTRICT's compliance with those requirements.

In our opinion, BROWNSVILLE AREA SCHOOL DISTRICT complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of BROWNSVILLE AREA SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered BROWNSVILLE AREA SCHOOL DISTRICT's internal control over compliance with the 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 BROWNSVILLE AREA SCHOOL DISTRICT'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

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BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: qualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weaknesses?

yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a) yes no

Identification of major programs:

CFDA Number(s)

84.394
84.010/84.389

Name of Program or Cluster

ARRA State Fiscal Stabilization Fund
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? yes no

BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Section II – Findings Relating to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

2010-1 Accounting Records

Condition: The accounts of the School District should include all significant transactions in the period under audit.

Criteria During the audit, certain audit adjustments were required to reverse beginning accrual amounts and the record ending accrual amounts.

Cause: Transactions were not recorded during the period under audit.

Effect: The financial records did not reflect the correct financial activity of the period under audit, which would result in a material misstatement of the financial statements.

Recommendation: The School District should ensure that internal control procedures over financial reporting are sufficient to identify and record all material adjustments.

Management Response:
The School District has initiated additional levels of review in order to sufficiently identify and record all material adjustments.

Section III – Federal Awards Findings and Questioned costs.

No matters were reported.

BROWNSVILLE AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

Status of Prior Audit Findings

Finding	2009-1
Description	Transactions were not recorded for the period under audit
Status	See current year finding 2010-01