



MAGNOLIA PUBLIC SCHOOLS

Board Of Directors

Board Agenda Item #	II B
Date:	09.03.2015
To:	Magnolia Financial Board Committee
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Magnolia Science Academy 1 – Single Audit Report

Proposed Board Recommendation

Action Item. I move that the Board Finance Committee recommends the 2014-15 Magnolia Science Academy 1 – Single Audit Report as presented to the full Board at the September 10, 2015 Regular Board Meeting

Background

The Single Audit report is a federal-required report pursuant with OMB circular A-133. Based on the OMB circular A-133, non-profit organizations that received more than \$750,000 of federal funds, federal grants, or federal awards, are required to undergo an independent audit to review and provide an opinion on whether the program complied with laws and regulations.

The 2014-15 Single Audit report has been submitted to the California State Controller's Office.

Budget Implications

Reporting item. No budget implications.

Name of Staff Originator:

Oswaldo Diaz, CFO

MAGNOLIA SCIENCE ACADEMY I
SINGLE AUDIT REPORT
For the year ended June 30, 2014

MAGNOLIA SCIENCE ACADEMY I

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To the Board of Directors of
Magnolia Science Academy 1
Reseda, California

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

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 **Magnolia Science Academy 1** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Magnolia Science Academy 1's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 **Magnolia Science Academy 1's** internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 **Magnolia Science Academy 1'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Magnolia Science Academy 1's** 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*.

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 **Magnolia Science Academy 1's** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Magnolia Science Academy 1's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California
July 16, 2015

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To the Board of Directors of
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Reseda, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

We have audited **Magnolia Science Academy 1's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Magnolia Science Academy 1's** major Federal programs for the year ended June 30, 2014. **Magnolia Science Academy 1's** 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 the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Magnolia Science Academy 1's** 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 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 **Magnolia Science Academy 1'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 on compliance for each major Federal program. However, our audit does not provide a legal determination of **Magnolia Science Academy 1's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Magnolia Science Academy 1** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of **Magnolia Science Academy 1** 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 **Magnolia Science Academy 1's** 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 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 **Magnolia Science Academy 1'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. *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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of **Magnolia Science Academy 1** as of and for the year ended June 30, 2014 and have issued a report thereon dated October 22, 2014. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California
July 16, 2015

MAGNOLIA SCIENCE ACADEMY 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenses</u>
U.S. Department of Agriculture/California Department of Education			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 119,575
National School Lunch Program/School Nutrition Program	10.555	13524	<u>170,487</u>
Total U.S. Department of Agriculture			<u>290,062</u>
 U.S. Department of Education/Los Angeles County Special Education Local Plan Area			
Individuals with Disabilities Act (IDEA)			
Basic local assistance entitlement, Part B Section 611	84.027	13379	93,941
No Child Left Behind Act (NCLB)			
Title I-Part A, Basic Grants for Low Income and Neglected	84.010	14329	171,810
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	2,759
Title III Cluster:			
Title III - Immigrant Education Program	84.365	15146	10,111
Title III - Limited English Proficient Student Program	84.365	14346	<u>9,506</u>
Title III Cluster subtotal			<u>19,617</u>
Total U.S. Department of Education			<u>288,127</u>
Total Federal Awards			<u>\$ 578,189</u>

MAGNOLIA SCIENCE ACADEMY 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (SEFA) includes the Federal grant activity of **Magnolia Science Academy 1** under programs of the federal government for the year ended June 30, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a selected portion of the operations of **Magnolia Science Academy 1**, it is not intended to and does not present the financial position, changes in net assets or cash flows of **Magnolia Science Academy 1**. Federal awards received directly from Federal agencies as well as Federal awards passed through the State of California are included in the SEFA.

NOTE 2 - BASIS OF ACCOUNTING

The SEFA is presented using the accrual basis of accounting which is described in the notes to **Magnolia Science Academy 1's** financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, where certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - RELATIONSHIP TO FEDERAL AWARDS REPORTS

Amounts reported in the SEFA agree with the amounts reported in the related federal financial reports for all major Federal programs.

MAGNOLIA SCIENCE ACADEMY I

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified	<u>No</u>
Significant deficiency identified	<u>None reported</u>
Noncompliance material to financial statements noted	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified	<u>No</u>
Significant deficiency identified	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>

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

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
10.553	Especially Needy Breakfast	\$ 119,575
10.555	National School Lunch Program	<u>170,487</u>
Total		<u>\$ 290,062</u>

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

Auditee qualifies as low-risk auditee No

MAGNOLIA SCIENCE ACADEMY I

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III –FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV-STATUS OF PRIOR YEAR FINDINGS

None reported.