

**KENOWA HILLS
PUBLIC SCHOOLS
Kent and Ottawa Counties, Michigan**

Additional Reports Required by
OMB Circular A-133

For the year ended June 30, 2013

TABLE OF CONTENTS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

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	1
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	13
Pass Through Amounts	14
Schedule of Findings and Questioned Costs	15

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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

October 14, 2013

The Board of Education
Kenowa Hills Public Schools
Kent County, 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 Kenowa Hills Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kenowa Hills Public Schools' basic financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kenowa Hills Public 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenowa Hills Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Kenowa Hills Public Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenowa Hills Public 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hungerford, Alderson, Nichols & Besten, P.C.

Certified Public Accountants

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

October 14, 2013

The Board of Education
Kenowa Hills Public Schools
Kent County, Michigan

Report On Compliance For Each Major Federal Program

We have audited Kenowa Hills Public Schools' 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 Kenowa Hills Public Schools' major federal programs for the year ended June 30, 2013. Kenowa Hills Public 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 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 Kenowa Hills Public 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 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 Kenowa Hills Public 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 Kenowa Hills Public Schools' compliance.



Member

Opinion on Each Major Federal Program

In our opinion, Kenowa Hills Public Schools 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, 2013.

Report On Internal Control Over Compliance

Management of Kenowa Hills Public 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 Kenowa Hills Public 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 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 Kenowa Hills Public 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report On Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Kenowa Hills Public Schools' basic financial statements. We issued our report thereon dated October 14, 2013, 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 OMB Circular A-133 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.

Hungerford, Aldwin, Nichols & Berton, P.C.

Certified Public Accountants

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U. S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I Cluster:		
Title I:	84.010	
121530 1112		\$ 451,766
131530 1213		<u>506,080</u>
Total Title I		<u>957,846</u>
Total Title I Cluster		<u>957,846</u>
Title IC, Migrant Education:	84.011	
121890 1112		121,949
131890 1213		<u>155,642</u>
Total Title IC		<u>277,591</u>
Title IIA:	84.367	
120520 1112		151,717
130520 1213		<u>155,554</u>
Total Title IIA		<u>307,271</u>
Title III, Limited English Proficient Students:	84.365	
120580 1112		48,160
130580 1213		<u>47,082</u>
Total Title III, Limited English Proficient Students		<u>95,242</u>
Total Passed Through MDE		<u>1,637,950</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2012		(Memo Only) Prior Year Expenditures		Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2013
\$ 79,366	(1)	\$ 417,454	(2)	\$ -	\$ 79,366	\$ -
-		-		505,688	277,444	228,244
79,366		417,454		505,688	356,810	228,244
79,366		417,454		505,688	356,810	228,244
17,327		121,949		-	17,327	-
-		-		152,398	96,555	55,843
17,327		121,949		152,398	113,882	55,843
8,399		76,583		158	8,557	-
-		-		75,490	62,452	13,038
8,399		76,583		75,648	71,009	13,038
6,539		37,041		-	6,539	-
-		-		21,875	10,567	11,308
6,539		37,041		21,875	17,106	11,308
111,631		653,027		755,609	558,807	308,433

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Special Education Cluster:		
I.D.E.A. Grants to States:	84.027	
120450 1112		\$ 596,447
130450 1213		<u>578,798</u>
Total I.D.E.A. Grants to States		<u>1,175,245</u>
I.D.E.A. Preschool:		
	84.173	
120460 1112		21,601
130460 1213		<u>22,351</u>
Total I.D.E.A. Preschool		<u>43,952</u>
Total Special Education Cluster		<u>1,219,197</u>
Total Passed Through KISD		<u>1,219,197</u>
Total U.S. Department of Education		<u>2,857,147</u>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
Medical Assistance Program:	93.778	
1213 Medicaid Outreach		<u>11,103</u>
Total U.S. Department of Health and Human Services		<u>11,103</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2013
\$ 121,722	\$ 596,447	\$ -	\$ 121,722	-
-	-	578,798	534,877	\$ 43,921
121,722	596,447	578,798	656,599	43,921
5,164	21,601	-	5,164	-
-	-	22,351	17,045	5,306
5,164	21,601	22,351	22,209	5,306
126,886	618,048	601,149	678,808	49,227
126,886	618,048	601,149	678,808	49,227
238,517	1,271,075	1,356,758	1,237,615	357,660
-	2,507	11,103	11,103	-
-	2,507	11,103	11,103	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		\$ 89,009
Bonus Commodities		<u>-</u>
Total Non-Cash Assistance		<u>89,009</u>
Cash Assistance:		
Lunch Program 1213	10.555	600,659
Breakfast Program 1213	10.553	<u>174,953</u>
Total Cash Assistance		<u>775,612</u>
Total Nutrition Cluster		<u>864,621</u>
Total U.S. Department of Agriculture		<u>864,621</u>
Total Federal Financial Assistance		<u><u>\$ 3,732,871</u></u>

- (1) On the 2011-2012 SEFA the Title I receivable was recorded as \$160,706. In June of 2012 the district received \$81,342. Therefore, the 2011-2012 receivable should have been \$79,365.
- (2) On the 2011-2012 SEFA the Title I expenditures were incorrectly recorded as \$498,796. The district received \$81,342 that it recorded twice in revenue. Therefore, the 2011-2012 expenditures should have been \$417,454.

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2013
\$ -	\$ -	\$ 89,009	\$ 89,009	\$ -
-	-	-	-	-
-	-	89,009	89,009	-
-	-	600,659	600,659	-
-	-	174,953	174,953	-
-	-	775,612	775,612	-
-	-	864,621	864,621	-
-	-	864,621	864,621	-
<u>\$ 238,517</u>	<u>\$ 1,273,582</u>	<u>\$ 2,232,482</u>	<u>\$ 2,113,339</u>	<u>\$ 357,660</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Kenowa Hills Public Schools under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of the States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Kenowa Hills Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows, as applicable, of Kenowa Hills Public Schools.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Grant Section Auditor Report

Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

Note D – Non-Cash Assistance

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note E – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I Cluster	\$ 505,688	\$ 505,688	\$ -
Title IC	152,398	152,398	-
Title IIA	75,648	75,648	-
Title III, Limited English	21,875	21,875	-
Special Education Cluster	601,149	601,149	-
Medical Assistance Program	11,103	11,103	-
Nutrition Cluster	864,621	864,621	-
	\$ 2,232,482	\$ 2,232,482	\$ -

PASS THROUGH AMOUNTS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Current Year Cash Transferred to Subrecipient
U. S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title III, Limited English Proficient Students:	84.365	
130580 1213		
Passed through to:		
Cedar Springs Public Schools		\$ 3,559
Coopersville Public Schools		5,617
Northview Public Schools		3,466
Rockford Public Schools		<u>2,308</u>
Total Federal Financial Assistance Provided to Subrecipients		<u>\$ 14,950</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of major programs audited:

 84.010 Title I Cluster
 84.011 Title IC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2013

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

X

Yes

 No

Section II - Financial Statements Audit Findings

There are no findings that are required to be reported under *Government Auditing Standards*.

Section III – Major Federal Award Programs Findings and Questioned Costs

There are no findings or questioned costs.