

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

Additional Reports Required by  
OMB Circular A-133

For the year ended June 30, 2014

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## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

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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***

September 25, 2014

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, 2014, 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 September 25, 2014.

***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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See finding 2014-1.

### ***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.

### **Kenowa Hills Public Schools' Response to Findings**

Kenowa Hills Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kenowa Hills Public 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 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.



Certified Public Accountants



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

September 25, 2014

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, 2014. 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.

### ***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, 2014.

### ***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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-1, that we consider to be significant deficiencies.

Kenowa Hills Public Schools' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kenowa Hills Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and the related notes to the financial statements, which collectively comprise Kenowa Hills Public Schools' basic financial statements. We issued our report thereon dated September 25, 2014, 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 Nichols*

Certified Public Accountants

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## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I Cluster:		
Title I:		
131530 1213	84.010	\$ 540,392
141530 1314		467,632
Total Title I		1,008,024
Total Title I Cluster		1,008,024
Title IC, Migrant Education:		
131890 1213	84.011	155,642
141890 1314		115,776
Total Title IC		271,418
Title IIA:		
130520 1213	84.367	155,554
140520 1314		156,162
Total Title IIA		311,716
Title III, Limited English Proficient Students:		
120580 1112	84.365	48,160
130580 1213		47,082
140580 1314		60,066
Total Title III, Limited English Proficient Students		155,308
Total Passed Through MDE		
		1,746,466
Passed through Kent Intermediate School District (KISD):		
Special Education Cluster:		
I.D.E.A. Grants to States:		
130450 1213	84.027	578,798
140450 1314		592,567
Total I.D.E.A. Grants to States		1,171,365

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2013</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2014</b>
\$ 228,244 -	\$ 505,688 -	\$ - 461,696	\$ 228,244 311,949	\$ - 149,747
228,244	505,688	461,696	540,193	149,747
228,244	505,688	461,696	540,193	149,747
55,843 -	152,398 -	- 115,776	55,843 102,935	- 12,841
55,843	152,398	115,776	158,778	12,841
13,038 -	75,490 -	- 131,261	13,038 102,671	- 28,590
13,038	75,490	131,261	115,709	28,590
(346) * 11,308 -	- 21,875 -	- - 54,762	(346) 11,308 9,140	- - 45,622
10,962	21,875	54,762	20,102	45,622
308,087	755,451	763,495	834,782	236,800
43,921 -	578,798 -	- 592,567	43,921 420,942	- 171,625
43,921	578,798	592,567	464,863	171,625

\* Per the Grant Auditor Report the State took back \$345.50 on the 11/12 grant.

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

**KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
I.D.E.A. Preschool:	84.173	
130460 1213		\$ 22,351
140460 1314		<u>16,057</u>
Total I.D.E.A. Preschool		<u>38,408</u>
Total Special Education Cluster		<u>1,209,773</u>
Total Passed Through KISD		<u>1,209,773</u>
<b>Total U.S. Department of Education</b>		<u>2,956,239</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District (KISD):		
Medical Assistance Program:	93.78	
1314 Medicaid Outreach		<u>8,051</u>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		95,309
Bonus Commodities		<u>-</u>
Total Non-Cash Assistance		<u>95,309</u>
Cash Assistance:		
Lunch Program 1314	10.555	612,723
Breakfast Program 1314	10.553	<u>180,941</u>
Total Cash Assistance		<u>793,664</u>
Total Nutrition Cluster		<u>888,973</u>
<b>Total U.S. Department of Agriculture</b>		<u>888,973</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 3,853,263</u></u>

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2013</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2014</b>
\$ 5,306	\$ 22,351	\$ -	\$ 5,306	\$ -
-	-	16,057	11,048	5,009
5,306	22,351	16,057	16,354	5,009
49,227	601,149	608,624	481,217	176,634
49,227	601,149	608,624	481,217	176,634
357,314	1,356,600	1,372,119	1,315,999	413,434
-	-	8,051	8,051	-
-	-	95,309	95,309	-
-	-	-	-	-
-	-	95,309	95,309	-
-	-	612,723	612,723	-
-	-	180,941	180,941	-
-	-	793,664	793,664	-
-	-	888,973	888,973	-
-	-	888,973	888,973	-
\$ 357,314	\$ 1,356,600	\$ 2,269,143	\$ 2,213,023	\$ 413,434

# **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

### **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, 2014. 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. 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 assets, 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 – Non-Cash Assistance**

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

### **Note E – Federal Income Reconciliation**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I Cluster	\$ 461,696	\$ 461,696	\$ -
Title IC	115,776	115,776	-
Title IIA	131,261	131,261	-
Title III, Limited English	54,762	54,762	-
Special Education Cluster	608,624	608,624	-
Medical Assistance Program	8,051	8,051	-
Nutrition Cluster	888,973	888,973	-
	<b>\$ 2,269,143</b>	<b>\$ 2,269,143</b>	<b>\$ -</b>

## **PASS THROUGH AMOUNTS**

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### **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Current Year Cash Transferred to Subrecipient</b>
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title III, Limited English Proficient Students: 140580 1314	84.365	
Passed through to:		
Cedar Springs Public Schools		\$ 1,501
Coopersville Public Schools		8,806
Northview Public Schools		8,098
Rockford Public Schools		<u>2,081</u>
Total Federal Financial Assistance Provided to Subrecipients		<u>\$ 20,486</u>

# ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

### **Section I - Summary of Auditor's Results**

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#### ***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?        X   Yes      \_\_\_\_\_ 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:

Special Education Cluster  
84.027 I.D.E.A. Grants to States  
84.173 I.D.E.A. Preschool

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

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

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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**

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

#### **Section III – Major Federal Award Programs Findings and Questioned Costs**

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##### **Current Year Findings**

##### **2014-1 Allowable Costs/Cost Principles**

Finding Type: Significant deficiency in internal control over major programs.

Condition and criteria: In accordance with OMB Circular A-87, Attachment B, if an employee works on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports that are prepared at least monthly.

Cause: The District did require the preparation of personnel activity reports (PARS) on a monthly basis. However, one employee charged to the IDEA grant was charged incorrectly according to the corresponding PAR.

Effect: The District did not comply with the requirements of OMB Circular A -133.

Questioned Costs: none

Auditor's Recommendation: The District should monitor payroll charges compared to the PARS to insure that the PARS are prepared correctly.

View of Responsible Officials: Kenowa Hills Public Schools agrees with the finding and is in the process of implementing the recommendation.

## ***CORRECTIVE ACTION PLAN***

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### **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2014

<b>Finding Number Federal Programs Audit:</b>	<b>Responsible Person</b>	<b>Management Views</b>	<b>Corrective Action</b>	<b>Anticipated Completion Date</b>
2014-1	Tamera Powers	Management agrees with the findings and is in the process of implementing the recommendation.	The District will review PARS each month to ensure the proper percentage has been charged to payroll.	7/1/14