

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

Additional Reports Required by
the Uniform Guidance

For the year ended June 30, 2017

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KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

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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 30, 2017

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools, as of and for the year ended June 30, 2017, 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 30, 2017.

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

Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Grand Rapids, Michigan



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 30, 2017

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 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, 2017. Kenowa Hills Public Schools’ summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Kenowa Hills Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise of Kenowa Hills Public Schools' basic financial statements. We issued our report thereon dated October 30, 2017, 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 the Uniform Guidance 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.



Certified Public Accountants
Grand Rapids, Michigan

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

| 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 | |
| 161530 1516 | | \$ 529,075 |
| 171530 1617 | | 727,032 |
| Total Title I Cluster | | <u>1,256,107</u> |
| Title IC, Migrant Education: | 84.011 | |
| 161890 1516 | | 122,645 |
| 171890 1617 | | 74,923 |
| Total Title IC | | <u>197,568</u> |
| Title IIA: | 84.367 | |
| 170520 1617 | | 73,296 |
| Total Title IIA | | <u>73,296</u> |
| Title III, Limited English Proficient Students: | 84.365 | |
| 170580 1617 | | 21,737 |
| Total Title III, Limited English Proficient Students | | <u>21,737</u> |
| Total Passed Through MDE | | <u>1,548,708</u> |
| Passed through Kent Intermediate School District (KISD): | | |
| Special Education Cluster: | | |
| I.D.E.A. Grants to States: | 84.027 | |
| 160450 1516 | | 742,186 |
| 170450 1617 | | 772,835 |
| Total I.D.E.A. Grants to States | | <u>1,515,021</u> |
| I.D.E.A. Preschool: | 84.173 | |
| 160460 1516 | | 27,255 |
| 170460 1617 | | 26,815 |
| Total I.D.E.A. Preschool | | <u>54,070</u> |
| Total Special Education Cluster | | <u>1,569,091</u> |

See Notes to Schedule of Expenditures of Federal Awards

| Accrued (Deferred) Revenue At July 1, 2016 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts (Cash Basis) | Adjustment | Accrued (Deferred) Revenue At June 30, 2017 |
|---|--|--------------------------------------|---|-------------------|--|
| \$ 32,567 | \$ 500,601 | \$ - | \$ 31,547 | \$ 1,020 | \$ - |
| - | - | 509,004 | 459,779 | - | 49,225 |
| 32,567 | 500,601 | 509,004 | 491,326 | 1,020 | 49,225 |
| 2,200 | 61,822 | - | 2,200 | - | - |
| - | - | 68,134 | 66,824 | - | 1,310 |
| 2,200 | 61,822 | 68,134 | 69,024 | - | 1,310 |
| - | - | 72,659 | 72,550 | - | 109 |
| - | - | 72,659 | 72,550 | - | 109 |
| - | - | 21,737 | 21,737 | - | - |
| - | - | 21,737 | 21,737 | - | - |
| 34,767 | 562,423 | 671,534 | 654,637 | 1,020 | 50,644 |
| 150,631 | 742,186 | - | 150,631 | - | - |
| - | - | 772,835 | 603,170 | - | 169,665 |
| 150,631 | 742,186 | 772,835 | 753,801 | - | 169,665 |
| 4,883 | 27,255 | - | 4,883 | - | - |
| - | - | 26,815 | 20,910 | - | 5,905 |
| 4,883 | 27,255 | 26,815 | 25,793 | - | 5,905 |
| 155,514 | 769,441 | 799,650 | 779,594 | - | 175,570 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount |
|---|---------------------------|-----------------------------------|
| Title III, Immigrant Students | 84.365 | |
| 160570 1516 | | \$ 2,695 |
| 170570 1617 | | 1,537 |
| Total Title III, Immigrant Students | | 4,232 |
| Total Passed Through KISD | | 1,573,323 |
| Total U.S. Department of Education | | 3,122,031 |
| U.S. Department of Health and Human Services | | |
| Passed through Kent Intermediate School District (KISD): | | |
| Medical Assistance Program: | | |
| 1516 Medicaid Outreach | 93.778 | 3,439 |
| 1617 Medicaid Outreach | | 5,544 |
| Total U.S. Department of Health and Human Services | | 8,983 |
| U.S. Department of Agriculture | | |
| Passed through Michigan Department of Education (MDE): | | |
| Nutrition Cluster: | | |
| Non-Cash Assistance (U.S.D.A. Commodities): | | |
| Entitlement Commodities | 10.555 | 98,425 |
| Cash Assistance: | | |
| Lunch Program 1617 | 10.555 | 601,349 |
| Breakfast Program 1617 | 10.553 | 202,529 |
| Summer Food Service | | |
| 1516 | 10.559 | 13,737 |
| 1617 | | 8,223 |
| Total Cash Assistance | | 825,838 |
| Total Nutrition Cluster | | 924,263 |
| Total U.S. Department of Agriculture | | 924,263 |
| Total Federal Financial Assistance | | \$ 4,055,277 |

See Notes to Schedule of Expenditures of Federal Awards

| Accrued (Deferred) Revenue At July 1, 2016 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts (Cash Basis) | Adjustment | Accrued (Deferred) Revenue At June 30, 2017 |
|---|--|--------------------------------------|---|-------------------|--|
| \$ 2,695 | \$ 2,695 | \$ - | \$ 2,695 | \$ - | \$ - |
| - | - | 1,537 | 1,537 | - | - |
| 2,695 | 2,695 | 1,537 | 4,232 | - | - |
| 158,209 | 772,136 | 801,187 | 783,826 | - | 175,570 |
| 192,976 | 1,334,559 | 1,472,721 | 1,438,463 | 1,020 | 226,214 |
| 3,439 | 3,439 | - | 3,439 | - | - |
| - | - | 5,544 | - | - | 5,544 |
| 3,439 | 3,439 | 5,544 | 3,439 | - | 5,544 |
| - | - | 98,425 | 98,425 | - | - |
| - | - | 601,349 | 582,427 | - | 18,922 |
| - | - | 202,529 | 195,069 | - | 7,460 |
| 3,474 | - | - | 3,474 | - | - |
| - | - | 8,223 | 5,953 | - | 2,270 |
| 3,474 | - | 812,101 | 786,923 | - | 28,652 |
| 3,474 | - | 910,526 | 885,348 | - | 28,652 |
| 3,474 | - | 910,526 | 885,348 | - | 28,652 |
| \$ 199,889 | \$ 1,337,998 | \$ 2,388,791 | \$ 2,327,250 | \$ 1,020 | \$ 260,410 |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

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, 2017. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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

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

KENOWA HILLS PUBLIC SCHOOLS
For the year ended June 30, 2017

Note E – Federal Income Reconciliation

| | Grant Expenditures Per Schedule of Federal Financial Assistance | Federal Revenue Per Financial Statements | Difference |
|-------------------------------|--|---|---------------------|
| Title I Cluster | \$ 509,004 | \$ 507,984 | \$ 1,020 * |
| Title IC | 68,134 | 68,134 | - |
| Title IIA | 72,659 | 72,659 | - |
| Title III, Limited English | 21,737 | 21,737 | - |
| Special Education Cluster | 799,650 | 799,650 | - |
| Title III, Immigrant Students | 1,537 | 1,537 | - |
| Medical Assistance Program | 5,544 | 5,544 | - |
| Nutrition Cluster | 910,526 | 910,526 | - |
| QZAB Interest Subsidy | - | 292,791 | (292,791) ** |
| | <u>\$ 2,388,791</u> | <u>\$ 2,680,562</u> | <u>\$ (291,771)</u> |

* This amount was paid back to the State of Michigan on October 25, 2016.

** The difference in Federal grant expenditures to revenue per the financial statements is due to QZAB interest.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

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 the Uniform Guidance?

_____ 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)

KENOWA HILLS PUBLIC SCHOOLS

For the year ended June 30, 2017

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

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

\$750,000

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 were no findings or questioned costs.