

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

Additional Reports Required by  
OMB Circular A-133

For the year ended June 30, 2015

# **TABLE OF CONTENTS**

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## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2015

<b>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 .....</b>	<b>1</b>
<b>Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....</b>	<b>3</b>
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>7</b>
<b>Notes to Schedule of Expenditures of Federal Awards .....</b>	<b>11</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>12</b>



***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 19, 2015

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, 2015, 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 19, 2015.

***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 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***

October 19, 2015

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, 2015. 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, 2015.

### ***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, 2015, 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 19, 2015, 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, 2015

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I Cluster:		
Title I:	84.010	
141530 1314		\$ 467,632
151530 1415		572,174
Total Title I Cluster		1,039,806
Title IC, Migrant Education:		
141890 1314	84.011	115,776
151890 1415		69,408
Total Title IC		185,184
Title IIA:		
140520 1314	84.367	156,162
150520 1415		106,116
Total Title IIA		262,278
Title III, Limited English Proficient Students:		
140580 1314	84.365	60,066
150580 1415		26,138
Total Title III, Limited English Proficient Students		86,204
Total Passed Through MDE		1,573,472
Passed through Kent Intermediate School District (KISD):		
Special Education Cluster:		
I.D.E.A. Grants to States:	84.027	
140450 1314		592,567
150450 1415		645,177
Total I.D.E.A. Grants to States		1,237,744

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2014</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Adjustment</b>	<b>Accrued (Deferred) Revenue At June 30, 2015</b>
\$ 149,747	\$ 461,696	\$ -	\$ 149,747	\$ -	\$ -
-	-	548,775	390,898	-	157,877
149,747	461,696	548,775	540,645	-	157,877
12,841	115,776	-	12,841	-	-
-	-	54,761	47,406	-	7,355
12,841	115,776	54,761	60,247	-	7,355
28,590	131,261	-	28,590	-	-
-	-	105,772	105,772	-	-
28,590	131,261	105,772	134,362	-	-
45,622	54,762	-	45,967	(345) *	-
-	-	26,138	26,138	-	-
45,622	54,762	26,138	72,105	(345)	-
236,800	763,495	735,446	807,359	(345)	165,232
171,625	592,567	-	171,625	-	-
-	-	645,177	521,826	-	123,351
171,625	592,567	645,177	693,451	-	123,351

\* The adjustment of \$345 is for revenue received in the 2014-2015 year for expenditures incurred in the 2013-2014 year.

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

**KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
I.D.E.A. Preschool:	84.173	
140460 1314		\$ 16,057
150460 1415		17,483
Total I.D.E.A. Preschool		<u>33,540</u>
Total Special Education Cluster		<u>1,271,284</u>
Total Passed Through KISD		<u>1,271,284</u>
<b>Total U.S. Department of Education</b>		<u>2,844,756</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District (KISD):		
Medical Assistance Program:	93.78	
1415 Medicaid Outreach		6,451
<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		84,770
Bonus Commodities		-
Total Non-Cash Assistance		<u>84,770</u>
Cash Assistance:		
Lunch Program 1415	10.555	587,177
Breakfast Program 1415	10.553	184,993
Summer Food Service	10.559	5,022
Total Cash Assistance		<u>777,192</u>
Total Nutrition Cluster		<u>861,962</u>
<b>Total U.S. Department of Agriculture</b>		<u>861,962</u>
<b>Total Federal Financial Assistance</b>		<u>\$ 3,713,169</u>

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Adjustment	Accrued (Deferred) Revenue At June 30, 2015
\$ 5,009	\$ 16,057	\$ -	\$ 5,009	\$ -	\$ -
-	-	17,483	14,033	-	3,450
5,009	16,057	17,483	19,042	-	3,450
176,634	608,624	662,660	712,493	-	126,801
176,634	608,624	662,660	712,493	-	126,801
413,434	1,372,119	1,398,106	1,519,852	(345)	292,033
-	-	6,451	6,451	-	-
-	-	84,770	84,770	-	-
-	-	-	-	-	-
-	-	84,770	84,770	-	-
-	-	587,177	587,177	-	-
-	-	184,993	184,993	-	-
-	-	5,022	5,022	-	-
-	-	777,192	777,192	-	-
-	-	861,962	861,962	-	-
-	-	861,962	861,962	-	-
\$ 413,434	\$ 1,372,119	\$ 2,266,519	\$ 2,388,265	\$ (345)	\$ 292,033

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

## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2015

### **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, 2015. 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 – 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**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I Cluster	\$ 548,775	\$ 548,775	\$ -
Title IC	54,761	54,761	-
Title IIA	105,772	105,772	-
Title III, Limited English	26,138	26,483	(345) *
Special Education Cluster	662,660	662,660	-
Medical Assistance Program	6,451	6,451	-
Nutrition Cluster	861,962	861,962	-
QZAB Interest Subsidy	-	646,414	(646,414) **
	<u>\$ 2,266,519</u>	<u>\$ 2,913,278</u>	<u>\$ (646,759)</u>

\* The difference of \$345 is for revenue received in the 2014-2015 year for expenditures incurred in the 2013-2014 year.

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

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

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## **KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2015

### **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?            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:

	Special Education Cluster
	84.027 I.D.E.A. Grants to States
	84.173 I.D.E.A. Preschool
	Nutrition Cluster
	10.555 Non-cash Assistance
	(USDA Commodities)
	10.555 Lunch Program
	10.553 Breakfast Program
	10.559 Summer Food Program

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

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**KENOWA HILLS PUBLIC SCHOOLS**

For the year ended June 30, 2015

**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**

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

**Prior 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.

Resolution: The finding has been resolved.