

Otsego Public Schools
Otsego , Michigan

Single Audit Report

June 30, 2015

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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*

Independent Auditors' Report

Members of the Board of Education
Otsego Public Schools

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 Otsego Public Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Otsego 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 Otsego Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Otsego 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 Otsego 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.

Yeo & Yeo, P.C.

Kalamazoo, MI
October 28, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

To the Board of Education
Otsego Public Schools

Report on Compliance for Each Major Federal Program

We have audited Otsego 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 Otsego Public Schools' major federal programs for the year ended June 30, 2015. Otsego Public Schools' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Otsego 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 Otsego 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 Otsego Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Otsego 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 Otsego 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 Otsego 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 Otsego 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 Otsego Public Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements. We issued our report thereon dated October 28, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Kalamazoo, MI
October 28, 2015

Otsego Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust- ments	Accrued (Deferred) Revenue June 30, 2015
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through Michigan Department of Education								
Non-cash assistance (commodities)								
National School Lunch								
Entitlement	10.555	\$ 62,202	\$ -	\$ -	\$ 62,202	\$ 62,202	\$ -	\$ -
Cash assistance								
School Breakfast Program								
141970 School Breakfast Program	10.553	63,958	-	56,888	7,070	7,070	-	-
151970 School Breakfast Program	10.553	59,365	-	-	59,365	59,365	-	-
National School Lunch Program								
141960 Sec 11- Free and Reduced	10.555	409,250	-	366,251	42,999	42,999	-	-
151960 Sec 11- Free and Reduced	10.555	305,922	-	-	305,922	305,922	-	-
Summer Food Service Program								
141980 Sec 11- Free and Reduced	10.559	1,827	-	1,827	-	-	-	-
151980 Sec 11- Free and Reduced	10.559	8,355	-	-	8,355	2,178	-	6,177
Total Department of Agriculture		<u>900,697</u>	<u>-</u>	<u>423,139</u>	<u>485,913</u>	<u>479,736</u>	<u>-</u>	<u>-</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
1415301314 Title I, Part A	84.010	198,955	32,308	198,955	-	32,308	-	-
1515301415 Title I, Part A		<u>197,179</u>	<u>-</u>	<u>-</u>	<u>178,236</u>	<u>56,000</u>	<u>-</u>	<u>122,236</u>
Title I		<u>396,134</u>	<u>32,308</u>	<u>198,955</u>	<u>178,236</u>	<u>88,308</u>	<u>-</u>	<u>122,236</u>
Passed through Allegan County AESA								
1404601314 Preschool Incentive	84.173	<u>13,089</u>	<u>-</u>	<u>14,513</u>	<u>13,089</u>	<u>13,089</u>	<u>-</u>	<u>-</u>
Passed through Michigan Department of Education								
1405201314 Improving Teacher Quality		100,711	63,420	84,710	-	63,420	-	-
1505201415 Improving Teacher Quality	84.367	<u>102,596</u>	<u>-</u>	<u>-</u>	<u>72,444</u>	<u>20,500</u>	<u>-</u>	<u>51,944</u>
Title II		<u>203,307</u>	<u>63,420</u>	<u>84,710</u>	<u>72,444</u>	<u>83,920</u>	<u>-</u>	<u>51,944</u>
Total U.S. Department of Education		<u>612,530</u>	<u>95,728</u>	<u>298,178</u>	<u>263,769</u>	<u>185,317</u>	<u>-</u>	<u>174,180</u>
U.S. Department of Health and Human Services								
Medicaid Outreach	93.778	<u>2,209</u>	<u>-</u>	<u>2,248</u>	<u>2,209</u>	<u>2,209</u>	<u>-</u>	<u>-</u>
Total Federal Programs		<u>\$ 1,515,436</u>	<u>\$ 95,728</u>	<u>\$ 723,565</u>	<u>\$ 751,891</u>	<u>\$ 667,262</u>	<u>\$ -</u>	<u>\$ 174,180</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Otsego Public Schools
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015.
3. The federal amounts reported on the Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Reports agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The financial statement federal revenues equal the total expenditures for Federal Awards.

Otsego Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ 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 deficiencies identified that are not considered to be material weaknesses? _____ 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:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.555 & 10.553	Nutrition Cluster

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

Auditee qualified as a low-risk auditee? X Yes ___ No

Otsego Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2015.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.

Otsego Public Schools
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2014.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2014.