

EVART PUBLIC SCHOOLS

EVART, MICHIGAN

SINGLE AUDIT

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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EVART PUBLIC SCHOOLS
EVART, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Summary Schedule of Prior Audit Findings	9-10
Schedule of Findings and Questioned Costs	11-12



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July 28, 2017

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

To the Board of Education
Evert Public Schools
Evert, 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 Evert Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Evert Public Schools' basic financial statements, and have issued our report thereon dated July 28, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

BAIRD, COTTER AND BISHOP, P.C.

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July 28, 2017

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

To the Board of Education
Evert Public Schools
Evert, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Evert 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 Evert Public Schools' major federal programs for the year ended June 30, 2017. Evert 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 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 Evert 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 Evert 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 on Evert Public Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Evert 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 Evert 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 Evert 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 the Evert 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 a 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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evert Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Evert Public Schools basic financial statements. We issued our report thereon dated July 28, 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 the 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.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED UNEARNED REVENUE JULY 1, 2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED UNEARNED REVENUE JUNE 30, 2017	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S. Department of Education									
Passed Through Michigan Department of Education (M.D.E.)									
Title I Part A Imp Basic Program									
Project No. 161530-1516	84.010	\$ 458,806	\$ 111,283	\$ 405,122	\$ 11,393	\$ 122,676	\$ 0	\$ 0	\$ 0
Project No. 171530-1617	84.010	411,626	0	0	400,118	367,172	32,946	0	0
Total Title I Part A		870,432	111,283	405,122	411,511	489,848	32,946	0	0
Title I Part D Neglected and Delinquent									
Project No. 171700-1617	84.000	67,928	0	0	54,308	47,406	6,902	0	0
Total Title I		938,360	111,283	405,122	465,819	537,254	39,848	0	0
Title VI Part B Rural and Low-Income Grant									
Project No. 170660-1617	84.358	17,434	0	0	17,434	17,434	0	0	0
Project No. 160660-1516	84.358	17,058	58	0	0	58	0	0	0
Total Title VI Part B		34,492	58	0	17,434	17,492	0	0	0
Title II Part A Improving Teacher Quality									
Project No. 160520-1516	84.367	91,949	17,274	73,535	1,921	19,195	0	0	0
Project No. 170520-1617	84.367	91,244	0	0	51,002	51,002	0	0	0
Total Title II Part A		183,193	17,274	73,535	52,923	70,197	0	0	0
Total Passed Through M.D.E.		1,156,045	128,615	478,657	536,176	624,943	39,848	0	0
Passed through Mecosta-Osceola Intermediate School District (I.S.D)									
Homeless Children & Youths									
	84.196	64	0	0	64	64	0	0	0
Total U.S. Department of Education		1,156,109	128,615	478,657	536,240	625,007	39,848	0	0
U.S Department of Health and Human Services									
Passed through Mecosta-Osceola Intermediate School District (I.S.D)									
Medicaid Outreach									
	93.778	1,615	0	0	1,615	1,615	0	0	0
Total U.S. Department of Health and Human Services		1,615	0	0	1,615	1,615	0	0	0

The accompanying notes are an integral part of this schedule

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED UNEARNED REVENUE JULY 1, 2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED UNEARNED REVENUE JUNE 30, 2017	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT
U.S Department of Agriculture									
Passed Through Michigan Department of Education									
Child Nutrition Cluster									
Non-Cash Assistance (Commodities & Equipment):									
National School Lunch									
Entitlement Commodities	10.555	35,691	0	0	35,691	35,691	0	0	0
Cash Assistance:									
Equipment Grant									
151991-EAG2015	10.579	36,633	0	0	36,633	36,633	0	0	0
National School Lunch									
Section 11 - Total Servings - 161960 and 171960	10.555	239,629	0	0	239,629	239,629	0	0	0
National School Lunch - Breakfast									
161970 and 171970	10.553	128,071	0	0	128,071	128,071	0	0	0
Summer Food Service Program									
160900 and 161900	10.559	8,052	0	0	8,052	8,052	0	0	0
Total Cash Assistance		412,385	0	0	412,385	412,385	0	0	0
Total Child Nutrition Cluster		448,076	0	0	448,076	448,076	0	0	0
Total U.S. Department of Agriculture		448,076	0	0	448,076	448,076	0	0	0
Total Federal Financial Assistance		\$ 1,605,800	\$ 128,615	\$ 478,657	\$ 985,931	\$ 1,074,698	\$ 39,848	\$ 0	\$ 0
						(D)	(E)		

The accompanying notes are an integral part of this schedule

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Evart 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 the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Evart Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Evart Public Schools.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, Cost Principles for States, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. Evart Public Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Grant Auditor Report

Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass through federal funds to sub recipients.

(D) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Governmental Funds – Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$ <u>985,931</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>985,931</u>

(E) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Cash Management System (CMS)		\$ 985,415
Add Items Not on CMS Report:		
Food Distribution Program - Entitlement Commodities	\$ 35,691	
Medicaid Administrative Outreach	1,615	
Homeless Children & Youths	64	
Timing Differences with 15-16 Awards	72,363	
Subtract Items on CMS Report:		
Timing Differences with 14-15 Awards	(20,451)	89,282
Rounding		1
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		\$ <u>1,074,698</u>

EVART PUBLIC SCHOOLS
EVART, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

2016-001 U.S. DEPARTMENT OF AGRICULTURE

Program Title: Child Nutrition Cluster

CFDA No.: 10.553, 10.555 & 10.559

Federal Award No. – 151960, 161960, 151970, 161970, 150900, 151900 & Entitlement Commodities

Federal Award Year – July 1, 2015 to September 30, 2016

Passed Through Michigan Department of Education

Criteria: The Free and Reduced Family Lunch Applications must be fully completed and updated for changes in eligibility by both the School District and applicants.

Condition: The School District has Free and Reduced Family Lunch Applications with missing information, such as signatures, dates processed, and various other information and family lunch applications did not properly reflect family or student eligibility changes.

Cause: The School District failed to record all necessary information on family lunch applications and update the applications or require new applications for changes in student eligibility.

Effect: The School District holds incomplete records that could lead to noncompliance with State of Michigan reviews as well as a potential for quantified costs.

Questioned Costs: None

Perspective Information: The Finding represents a systematic problem based on a haphazard sample of family lunch applications, which if left uncorrected, has potential to lead to quantified costs. Sampling was not statistically valid.

Identification of Repeat Findings: None

Recommendations: The School District should have an additional level of review as it relates to filling out family lunch applications and updating eligibility changes on family lunch applications.

EVART PUBLIC SCHOOLS
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Corrective Action: The Business Manager will ensure that the Food Service Coordinator allocate more of his time towards ensuring that Free and Reduced Family Lunch Applications are fully completed and student eligibility changes are better documented. Evart Public Schools feels this will help clean up the family lunch applications and better prepare the District for State of Michigan reviews and keep potential quantified errors to a minimum. The contact person responsible for the corrective action is the superintendent of the District. The anticipated completion date for the corrective action is immediate.

Status: The District took corrective action during the 2016-2017 fiscal year.

EVART PUBLIC SCHOOLS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL 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 Title 2 CFR section 200.516(a) _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A & Part D

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee under Title 2 CFR section 200.520. X Yes _____ No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

