

Lakeview  
Community  
Schools



Year Ended  
June 30, 2016

Single Audit Act  
Compliance

# LAKEVIEW COMMUNITY SCHOOLS

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

September 21, 2016

Board of Education  
Lakeview Community Schools  
Lakeview, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Lakeview Community Schools* (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 21, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 basic financial statements and certain other 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.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
National school lunch - breakfast	10.553	MDE	151970
National school lunch - breakfast	10.553	MDE	161970
National school lunch section 11 free and reduced	10.555	MDE	151960
National school lunch section 11 free and reduced	10.555	MDE	161960
Entitlement commodities (non-cash)	10.555	MDE	-n/a-
Summer food service program	10.559	MDE	150900
Summer food service program	10.559	MDE	151900
Total U.S. Department of Agriculture			
U.S. Department of Education			
Title I, Part A	84.010	MDE	151530-1415
Title I, Part A	84.010	MDE	161530-1516
McKinney Vento Homeless Assistance	84.196	MAISD	-n/a-
Title VI, Part B	84.358	MDE	160660-1516
Title II, Part A	84.367	MDE	150520-1415
Title II, Part A	84.367	MDE	160520-1516
Total U.S. Department of Education			
Total Federal Financial Assistance			

See notes to schedule of expenditures of federal awards.

Approved Grant Award Amount	Accrued (Unearned) Revenue June 30, 2015	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2016	Accrued (Unearned) Revenue June 30, 2016
\$ 136,797	\$ -	\$ 15,206	\$ 121,591	\$ 15,206	\$ -
115,058	-	115,058	-	115,058	-
	-	130,264	121,591	130,264	-
259,458	-	31,016	228,442	31,016	-
221,271	-	221,271	-	221,271	-
39,387	-	39,387	-	39,387	-
	-	291,674	228,442	291,674	-
4,467	-	4,467	-	4,467	-
482	-	482	-	482	-
	-	4,949	-	4,949	-
	-	426,887	350,033	426,887	-
466,358	79,157	98,429	442,600	19,272	-
512,229	-	296,180	-	467,594	171,414
	79,157	394,609	442,600	486,866	171,414
735	-	735	-	735	-
38,914	-	-	-	4,049	4,049
201,041	22,749	30,258	176,400	7,509	-
57,390	-	38,421	-	48,584	10,163
	22,749	68,679	176,400	56,093	10,163
	101,906	464,023	619,000	547,743	185,626
	\$ 101,906	\$ 890,910	\$ 969,033	\$ 974,630	\$ 185,626

# LAKEVIEW COMMUNITY SCHOOLS

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lakeview Community Schools (the "District") under programs of the federal government for the year ended June 30, 2016. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts 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.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MAISD	Montcalm Area Intermediate School District
MDE	Michigan Department of Education



INDEPENDENT AUDITORS' 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 21, 2016

Board of Education  
Lakeview Community Schools  
Lakeview, 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 *Lakeview Community Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 21, 2016.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s 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*.

**Lakeview Community Schools’ Response to Finding**

The District’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s 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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

September 21, 2016

Board of Education  
Lakeview Community Schools  
Lakeview, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of *Lakeview Community Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's 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.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's 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 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 the District's 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 the District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the District 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, 2016.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### *Report on Internal Control Over Compliance*

Management of the District 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 the District's 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 District's 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

*Purpose of this Report*

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.

*Rehmann Johnson LLC*

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   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 auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  X  yes   no

Identification of major programs:

#### CFDA Number

10.553, 10.555, and 10.559

#### Name of Federal Program or Cluster

Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

yes  X  no

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2016-001 - Preparation of Financial Statements in Accordance with GAAP (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. The District relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the District's internal controls.

Cause. This condition was primarily caused by the District's decision that it is more cost effective to outsource the preparation of its annual financial statements including assistance with certain year-end adjustments, to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

Effect. As a result of this condition, the District lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task.

Recommendation. The District's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. The District has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its external auditors. Management has carefully reviewed the proposed journal entries (including those for the government-wide presentation), draft financial statements and footnotes prior to approving them and accepting responsibility for their content and presentation.

# LAKEVIEW COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2016-002 - Eligibility Determination

Finding Type. Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance.

Program. Child Nutrition Cluster; U.S. Department of Agriculture; CFDA Numbers 10.553, 10.555, and 10.559; Passed through the Michigan Department of Education; Award Numbers 150900, 151900, 151960, 151970, 161960, and 161970.

Criteria. Recipients of federal awards are responsible for compliance with various requirements in accordance with the Uniform Guidance and the award agreement. The Child Nutrition Cluster requires that students receiving free or reduced rate meals meet certain income guidelines, unless they are categorically eligible by being homeless, a migrant, or a runaway. Eligibility determinations should be supported by an application or other documentation.

Condition. In our sample of 40 applications from all students receiving free or reduced cost meals during the year, we noted one instance in which the student's eligibility determination was not supported by the submitted application. This student was indicated as and received free lunch during the 2016 school year. This student's free and reduced lunch application had a box checked indicating the family was receiving assistance through the SNAP program, but no case number was listed. This alone would not allow for the student to receive free lunch. Based on the income amounts also provided by the family on this application, the student should only have qualified for reduced lunch pricing.

Cause. This condition appears to be the result of an error in the initial review of the student's free and reduced lunch application submitted to the District for the 2016 school year.

Effect. As a result of this condition, the District undercharged one student for lunches throughout the school year and requested excess grant reimbursements by trivial amounts less than \$100.

Questioned Costs. No costs are required to be questioned as a result of this finding as the error was less than the reporting threshold.

Recommendation. We recommend that management review each free and reduced lunch application received to ensure the data from that application is correctly input into its food service system. If a student is determined to be categorically eligible for free lunch outside of the direct certification process, the application should be reviewed for completeness to support this determination.

View of Responsible Officials. The District has corrected this student's eligibility status for the 2017 school year. A letter has been sent to this student's family describing the error made and updated eligibility status. The District plans to review every application within this eligibility group to ensure each application is processed properly.

# LAKEVIEW COMMUNITY SCHOOLS

## Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2016

### 2015-001 - Preparation of Financial Statements in Accordance with GAAP

The District relies, in part, on its external auditors for assistance with external financial reporting and report preparation. This arrangement which is expected to continue each year as part of a cost-benefit decision. Refer to item 2016-001.

### 2015-002 - Documentation of Personnel Costs in Accordance with OMB Circular A-87

CFDA # 84.010 - Title I, Part A

CFDA # 84.367 - Title II, Part A

Personnel activity reports for certain employees were completed and signed prior to the end of the period being certified. These employees signed current year personnel activity reports after the period being certified. This matter is considered resolved.



# Lakeview Community Schools

Achieving Quality Education for all Learners Through Teamwork

**123 5th Street  
Lakeview, Michigan 48850**

**Phone: 989-352-6226  
Fax: 989-352-8245**

*Kyle R. Hamlin, Superintendent  
Patricia K. Root, Business Manager  
Denise Kurtze, Administrative Assistant*



[www.lakeviewschools.net](http://www.lakeviewschools.net)

## CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as a result of the audit process. These are described at length in the Schedule of Findings and Questioned Costs. We evaluated each of these matters as described below, and have described our plans actions as a result.

### 2016-001 - Preparation of Financial Statements in Accordance with GAAP (Repeat Comment)

Planned Corrective Action. We have evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in our best interest to outsource this task to our external auditors. We have carefully reviewed the proposed journal entries (including those for the government-wide presentation), draft financial statements and footnotes prior to approving them and accepting responsibility for their content and presentation.

Responsible Party. Business Manager.

Date of Planned Corrective Action. No further action is planned at this time.

Management Assessment. We concur with the audit assessment regarding this matter.

### 2016-002 - Eligibility Determination

Planned Corrective Action. The District has corrected this student's eligibility status for the 2017 school year. A letter has been sent to this student's family describing the error made and updated eligibility status. The District plans to review every application within this eligibility group to ensure each application is processed properly.

Responsible Party. Business Manager.

Date of Planned Corrective Action. July 2016.

Management Assessment. We concur with the audit assessment regarding this matter.