

Lakeview
Community
Schools



Year Ended
June 30, 2017

Single Audit Act
Compliance

LAKEVIEW COMMUNITY SCHOOLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	4
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 <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	7
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	13
Corrective Action Plan	14



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

September 1, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 1, 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 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.

Rehmann Robson LLC

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National school lunch - breakfast	10.553	MDE	161970	\$ 131,860
National school lunch - breakfast	10.553	MDE	171970	117,044
National school lunch section 11 free and reduced	10.555	MDE	161960	255,147
National school lunch section 11 free and reduced	10.555	MDE	171960	228,960
Afterschool snack program	10.555	MDE	171980	805
Entitlement commodities (non-cash)	10.555	MDE	-n/a-	43,151
Summer food service program	10.559	MDE	160900	3,427
Summer food service program	10.559	MDE	161900	303
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A	84.010	MDE	161530-1516	512,229
Title I, Part A	84.010	MDE	171530-1617	547,703
McKinney Vento Homeless Assistance	84.196	MAISD	-n/a-	260
Title VI, Part B	84.358	MDE	160660-1516	38,914
Title VI, Part B	84.358	MDE	170660-1617	25,678
Title II, Part A	84.367	MDE	160520-1516	57,390
Title II, Part A	84.367	MDE	170520-1617	105,337
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2016	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2017	Accrued (Unearned) Revenue June 30, 2017
\$ -	\$ 16,802	\$ 115,058	\$ 16,802	\$ -
-	117,044	-	117,044	-
-	133,846	115,058	133,846	-
-	33,876	221,271	33,876	-
-	228,960	-	228,960	-
-	805	-	805	-
-	43,151	-	43,151	-
-	306,792	221,271	306,792	-
-	3,427	-	3,427	-
-	303	-	303	-
-	3,730	-	3,730	-
-	444,368	336,329	444,368	-
171,414	192,109	467,594	20,695	-
-	413,268	-	490,961	77,693
171,414	605,377	467,594	511,656	77,693
-	260	-	260	-
4,049	36,809	4,049	32,760	-
-	25,678	-	25,678	-
4,049	62,487	4,049	58,438	-
10,163	10,249	48,584	86	-
-	59,771	-	67,512	7,741
10,163	70,020	48,584	67,598	7,741
185,626	738,144	520,227	637,952	85,434
\$ 185,626	\$ 1,182,512	\$ 856,556	\$ 1,082,320	\$ 85,434

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, 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* (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 1, 2017

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 the *Lakeview Community Schools* (the "District"), as of and for the year ended June 30, 2017, 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 1, 2017.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001, that we consider to be a material weakness.

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.

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

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

September 1, 2017

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 program for the year ended June 30, 2017. The District's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the 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 its major federal program for the year ended June 30, 2017.

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 2017-002. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, material weaknesses may exist that have not been identified.

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 Lobson LLC

LAKEVIEW COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

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? yes X 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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

2017-001 - Material Audit Adjustments and 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 and schedule of expenditures of federal awards (SEFA) (i.e., external financial reporting).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to record deferred inflows of resources for an insurance recovery not expected to be collected within 60 days and to reduce accounts payable for an invoice for services not yet performed as of June 30, 2017. These adjustments were material to the general fund and governmental activities opinion units. In addition, the District relied on its independent external auditors to assist in the preparation of the government-wide financial statements, footnotes, and certain elements of the SEFA, 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. The material audit adjustments were related to an unusual/nonrecurring event that the District did not have experience recording for in the GAAP-basis financial statements. In addition, the District has determined 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's accounting records were initially misstated by amounts material to the financial statements. In addition, 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. Management has already taken appropriate corrective action by posting correcting journal entries. In future years, we recommend that all year-end accruals be recorded based on the period of service of the invoice, and that revenue is recognized in the period of availability. 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*.

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, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-002 - Verification Determination

Finding Type. Immaterial Noncompliance (Special Tests and Provisions).

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 161970, 171970, 161960, 171960, 171980, 160900, and 161900.

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. By November 15th of each school year, the District must verify the eligibility of a sample of households receiving free and reduced price meals. These households must provide documentation of income in order to continue receiving free or reduced-rate meals. Changes in eligibility (if any) must be made promptly so the student is charged the correct rate for future meals.

Condition. Based on a formula provided by the grantor agency, the District performed verification procedures for six households receiving free or reduced-rate meals. In one of the two households we selected for additional procedures, the annual income qualified the students for reduced-price meals. However, the family continued to receive free meals in error for a limited period until the family was reported on the State's direct certification list (and therefore became categorically eligible for free meals).

Cause. This condition appears to have been caused by an oversight in the treatment of overtime earnings which were excluded by the District. Program guidance indicates that such amounts should be included in the annual household income if received on a regular basis. The year-to-date pay stub from the household indicated that a substantial portion of total compensation was from overtime wages. Accordingly, they should have been included determining the household's eligibility.

Effect. As a result of this condition, the District undercharged one household (two students) for meals provided over a period of six weeks and requested an inconsequential amount of excess grant reimbursements.

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 the income documentation provided by each family selected for verification procedures and clearly document the conclusion as to the household's eligibility. Any changes in status should be processed timely.

View of Responsible Officials. The District plans to thoroughly review the documentation provided by each household selected for verification testing for the 2018 school year to ensure the applicant accurately met the requirements for free or reduced meals.

LAKEVIEW COMMUNITY SCHOOLS

■ Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2017

2016-001 - 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 is expected to continue each year as part of a cost-benefit decision. Refer to item 2017-001.

2016-002 - Eligibility Determination

CFDA Numbers 10.553, 10.555, and 10.559 - Child Nutrition Cluster

The District provided free meals to a student who did not qualify based on the application on file. No exceptions were noted in the current year. This matter is considered resolved.



Lakeview Community Schools

Achieving Quality Education for all Learners Through Teamwork

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Patricia K. Root, Business Manager
Denise Kurtze, Administrative Assistant



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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 planned actions as a result.

2017-001 - Material Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP

Planned Corrective Action. We have evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and the preparation of the SEFA, 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. The audit-identified adjustments have already been posted to the District's records. No further corrective action has been recommended by the auditors.

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

2017-002 - Verification Determination

Planned Corrective Action. The District plans to thoroughly review each free and reduced lunch selected for verification in the 2018 school year and ensure that determinations are appropriately documented.

Responsible Party. Business Manager.

Date of Planned Corrective Action. November 2017.

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