

Quincy Community Schools

Single Audit Report

Year Ended June 30, 2016

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WILLIS & JURASEK

CPAS AND CONSULTANTS

**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***

Board of Education
Quincy Community Schools
Quincy, 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 *Governmental 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 Quincy Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Quincy Community Schools' 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 Quincy Community 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 Quincy Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Quincy Community 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 to be a significant deficiency.

Board of Education
Quincy Community Schools
Quincy, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quincy Community 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*.

Quincy Community Schools' Response to Finding

Quincy Community Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quincy Community Schools' 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 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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 21, 2016



WILLIS & JURASEK

CPAS AND CONSULTANTS

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Quincy Community Schools
Quincy, Michigan

Report on Compliance for Each Major Federal Program

We have audited Quincy Community 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 Quincy Community Schools' major federal programs for the year ended June 30, 2016. Quincy Community 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Quincy Community 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 the 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 Quincy Community 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 Quincy Community Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Quincy Community 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, 2016.

Report on Internal Control Over Compliance

Management of Quincy Community 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 Quincy Community 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 Quincy Community 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Quincy Community Schools' basic financial statements. We have 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 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 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.

Board of Education
Quincy Community Schools

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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 21, 2016

Quincy Community Schools

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal CFDA Number	Pass-through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2015	Prior Years Expenditures (Memorandum Only)	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2016
10.555		\$ -	\$ -	\$ -	\$ 34,848	\$ 34,848	\$ -
Federal Grantor/Pass-Through Grantor/ Program Title							
U.S. Department of Agriculture							
Child Nutrition Cluster:							
Passed through MI Department of Education:							
Non-cash Assistance (Commodities):							
		National School Lunch Program					
10.555	151960	208,389	-	186,016	22,373	22,373	-
	161960	208,812	-	-	202,633	208,812	6,179
	161980	792	-	-	792	792	-
		417,993	-	186,016	225,798	231,977	6,179
10.553	151970	91,844	-	91,844	10,774	10,774	-
	161970	106,091	-	-	101,511	106,091	4,580
		197,935	-	91,844	112,285	116,865	4,580
10.559	150900	6,919	4,351	4,351	6,919	2,568	-
	151900	711	447	447	711	264	-
	160900	4,439	-	-	-	4,439	4,439
	161900	457	-	-	-	457	457
		12,526	4,798	4,798	7,630	7,728	4,896
		628,454	4,798	282,658	345,713	356,570	15,655
		Total Cash Assistance					
		Total Child Nutrition Cluster	4,798	282,658	380,561	391,418	15,655
		Total United States Department of Agriculture	4,798	282,658	380,561	391,418	15,655
U.S. Department of Education:							
Passed through MI Department of Education:							
Title I, Part A							
84.010	151530-1415	415,749	26,225	371,304	34,609	8,384	-
	161530-1516	348,456	-	-	313,078	340,180	27,102
		764,205	26,225	371,304	347,687	348,564	27,102
84.367	150520-1415	102,710	16,055	61,982	26,228	10,173	-
	160520-1516	103,077	-	-	55,450	78,732	23,282
		205,787	16,055	61,982	81,678	88,905	23,282
84.358	150660-1415	30,410	14,157	22,511	14,157	-	-
	160660-1516	30,017	-	-	15,066	24,856	9,790
		60,427	14,157	22,511	29,223	24,856	9,790
		1,030,419	56,437	455,797	458,588	462,325	60,174
		Total passed through MI Department of Education					
		Total United States Department of Education	56,437	455,797	458,588	462,325	60,174
		1,658,873	61,235	738,455	839,149	853,743	75,829

See Accompanying Footnotes.

Quincy Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

	<u>Amount</u>
Revenue from Federal sources - per financial statements (includes all funds)	\$ <u>853,743</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>853,743</u>

Quincy Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Quincy 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 Quincy Community Schools, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Explanations of Schedule

Expenditures reported in 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 limited as to reimbursement. Negative amounts shown on the Schedule represented 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. Revenue is recognized when the qualifying expenditures have been included 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 on the Grant Auditor Report reconcile with this schedule with any differences being timing issues of when cash was received. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

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

Note 3 – Subrecipients

No federal awards were passed through the District to any subrecipients during the year.

Quincy Community Schools
 Schedule of Findings and Questioned Costs
 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 identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	<u> X </u> yes _____ none reported
Noncompliance material to financial statements noted	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u> X </u> 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)	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.555/10.553/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk	<u> X </u> yes _____ no

Section II – Financial Statement Audit Findings

2016-001 – Internal Control over Financial Reporting

Criteria or Specific Requirement: Management is responsible for having controls in place over financial reporting to ensure proper reporting of assets, liabilities, revenues, and expenditures for all financial activity, including grants.

Condition: The District requested reimbursement in June for cash that was not paid out until July and August which is outside of the allowable cash management period for grant reimbursement.

Quincy Community Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Section II – Financial Statement Audit Findings (Continued)

2016-001 – Internal Control over Financial Reporting

Cause and Effect: The District's control system did not allow for internal correction prior to the request of funds. While this did not create a material misstatement of current year activity, lack of control over this area could result in a potential misstatement of the financial reports.

Views of Responsible Officials: We are aware of the deficiency in that funds were drawn early from Title I and Title II. A draw was requested 6/21/16 and received 6/28/16 for summer accruals for one employee that covered four summer pays. We have since implemented new procedures to ensure compliance with the timing of cash requests in the future. Our procedures have been updated to note that accruals should not be entered into the software until a final grant draw is completed after the last payroll in June.

Section III – Federal Program Audit Findings

None

Quincy Community Schools
Comments on Resolution of Findings from June 30, 2015
Single Audit Report

Finding:

There were no financial statement audit or federal program audit findings for June 30, 2015.