

Lapeer Community Schools of Lapeer County

**Federal Awards
Supplemental Information
June 30, 2016**

Lapeer Community Schools of Lapeer County

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Lapeer Community Schools of Lapeer County

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Lapeer Community Schools of Lapeer County (the "School District") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 21, 2016, which contained unmodified opinions on the basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information.. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 21, 2016.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 21, 2016

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Education
Lapeer Community Schools of Lapeer County

We have audited, in accordance with 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, the major fund, and the aggregate remaining fund information of Lapeer Community Schools of Lapeer County (the "School District") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lapeer Community Schools of Lapeer County'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School District'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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

To Management and the Board of Education
Lapeer Community Schools of Lapeer County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lapeer Community Schools of Lapeer County'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*.

Lapeer Community Schools of Lapeer County's Response to Findings

Lapeer Community Schools of Lapeer County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lapeer Community Schools of Lapeer County'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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Auburn Hills, Michigan
October 21, 2016

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Education
Lapeer Community Schools of Lapeer County

Report on Compliance for the Major Federal Program

We have audited Lapeer Community Schools of Lapeer County's (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Lapeer Community Schools of Lapeer County's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lapeer Community Schools of Lapeer County'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 audit 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"). 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 Lapeer Community Schools of Lapeer County'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 Lapeer Community Schools of Lapeer County's compliance.

To the Board of Education
Lapeer Community Schools of Lapeer County

Opinion on the Major Federal Program

In our opinion, Lapeer Community Schools of Lapeer County 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, 2016.

Report on Internal Control Over Compliance

Management of Lapeer Community Schools of Lapeer County 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 Lapeer Community Schools of Lapeer County'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 School 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 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, 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 Finding 2016-002, that we consider to be a significant deficiency.

Lapeer Community Schools of Lapeer County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Lapeer Community Schools of Lapeer County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Education
Lapeer Community Schools of Lapeer County

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.

Plante & Moran, PLLC

Auburn Hills, Michigan
October 21, 2016

Lapeer Community Schools of Lapeer County

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

Program Title/Project Number	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2015	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2016	Current Year Cash Transferred to Subrecipient
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:									
Noncash assistance -									
National School Lunch Program Entitlement commodities - 2015-2016	N/A	10.555	\$ 167,246	\$ -	\$ -	\$ 167,246	\$ 167,246	\$ -	\$ -
Cash assistance:									
National School Lunch Program 2014-2015	151960	10.555	1,064,843	1,064,843	52,697	52,697	-	-	-
National School Lunch Program 2015-2016	161960	10.555	1,020,928	-	-	1,020,928	1,020,928	-	-
National School Lunch Program (incl. commodities) Subtotal		10.555	2,253,017	1,064,843	52,697	1,240,871	1,188,174	-	-
National School Breakfast Program 2014-2015	151970	10.553	501,426	501,426	26,282	26,282	-	-	-
National School Breakfast Program 2015-2016	161970	10.553	487,656	-	-	487,366	487,656	290	-
National School Breakfast Program Subtotal		10.553	989,082	501,426	26,282	513,648	487,656	290	-
Summer Food Service Program for Children - 2014-15	150900-151900	10.559	32,586	32,586	4,761	4,761	-	-	-
Summer Food Service Program for Children - 2015-16	150900-161900	10.559	32,252	-	-	29,072	35,252	6,180	-
Summer Food Service Program Subtotal		10.559	64,838	32,586	4,761	33,833	35,252	6,180	-
Total Child Nutrition Cluster			3,306,937	1,598,855	83,740	1,788,352	1,711,082	6,470	-
Special Education Cluster - U.S. Department of Education - Passed through the Lapeer County ISD:									
IDEA, Part B:									
IDEA, Part B 1415	150450-1415	84.027	430,922	430,922	76,847	76,847	-	-	-
IDEA, Part B 1516	160450-1516	84.027	423,701	-	-	417,846	423,701	5,855	-
Total IDEA, Part B		84.027	854,623	430,922	76,847	494,693	423,701	5,855	-
IDEA Preschool 1516	160460-1516	84.173	40,685	-	-	40,685	40,685	-	-
Total Special Education Cluster			895,308	430,922	76,847	535,378	464,386	5,855	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Lapeer County ISD - Medical Assistance Program (Medicaid, Title XIX)									
	N/A	93.778	10,146	-	-	10,146	10,146	-	-
Total Clusters			4,212,391	2,029,777	160,587	2,333,876	2,185,614	12,325	-

Lapeer Community Schools of Lapeer County

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

Program Title/Project Number	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2015	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2016	Current Year Cash Transferred to Subrecipient
Other federal awards:									
U.S. Department of Education:									
Passed through the Michigan Department of Education:									
Title I - Part A:									
Title I Part A 1415	151530-1415	84.010	\$ 847,485	\$ 776,592	\$ 118,662	\$ 149,761	\$ 31,099	\$ -	\$ -
Title I Part A 1516	161530-1516	84.010	806,329	-	-	589,027	685,333	96,306	-
Total Title I - Part A		84.010	1,653,814	776,592	118,662	738,788	716,432	96,306	-
Title II Part A - Improving Teacher Quality:									
Title II Part A 1415	150520-1415	84.367	274,748	227,873	21,735	27,693	5,958	-	-
Title II Part A 1516	160520-1516	84.367	277,137	-	-	154,009	173,508	19,499	-
Total Title II Part A		84.367	551,885	227,873	21,735	181,702	179,466	19,499	-
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Child and Adult Care Food Program - Program 2015-2016									
	151920-162010	10.558	32,119	-	-	32,119	32,119	-	-
Total noncluster programs passed through the Michigan Department of Education									
			2,237,818	1,004,465	140,397	952,609	928,017	115,805	-
Total federal awards			\$ 6,450,209	\$ 3,034,242	\$ 300,984	\$ 3,286,485	\$ 3,113,631	\$ 128,130	\$ -

Lapeer Community Schools of Lapeer County

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 Lapeer Community Schools of Lapeer County (the "School 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Lapeer Community Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lapeer Community Schools.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or 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.

The School District has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

The School District did not pass through funds to subrecipients during the fiscal year ended June 30, 2016.

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Lapeer Community Schools of Lapeer County

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

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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes No

Lapeer Community Schools of Lapeer County

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - As a part of the closing process, all accruals are reviewed for reasonableness and appropriateness. Accounts are adjusted as necessary to reflect what is owed at the point in time of the accrual.</p> <p>Condition - As a part of the year-end review, certain accrual items and adjustments were not identified.</p> <p>Context/Cause/Effect - During the closing process, a review of accruals and an analysis of accounts took place; however, certain items were missed upon review. This resulted in certain needs for adjustment being identified as part of the audit process.</p> <p>Recommendation - School districts have multiple unique accruals that are required to be adjusted at year end. To aid in capturing the accruals required for the School District at year end, we recommend the School District add a more formalized and documented review of accruals to their current review process. With the director of finance now completing his first year in the School District accounting environment, the School District should be able to more effectively complete its closing process.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A full reconciliation of all liabilities will be conducted prior to month end. Each accrual and adjustment will be evaluated and corrected as needed.</p>

Lapeer Community Schools of Lapeer County

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

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-002	<p>CFDA Number, Federal Agency, and Program Name - 10.555, 10.553, 10.559 Child Nutrition Cluster</p> <p>Federal Award Identification Number and Year - 161960, 161970, 150900-61900 2015-2016</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant deficiency</p> <p>Repeat Finding - No</p> <p>Criteria - Free/Reduced lunch applications require a review to verify that the applications are accurately completed.</p> <p>Condition - Audit tests identified instances of incomplete free/reduced lunch eligibility applications</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - Free/Reduced lunch eligibility applications were reviewed as a part of control and compliance testing for the Child Nutrition Cluster. Upon review of the original sample of 40 applications, it was noted that one application contained inconsistent data. An additional sample of 20 was selected for review of control procedures, of which four contained additional inconsistencies and incompletions.</p> <p>Cause and Effect - Applications for eligibility were not effectively reviewed, which resulted in unidentified inconsistencies and incompletions in some applications. As the pertinent information for computing eligibility was contained in each application, compliance has been met and the issue relates only to controls.</p> <p>Recommendation - It is recommended that free/reduced lunch eligibility applications be reviewed for completeness and consistency upon submission.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The food service department will give access to the business department to their system who will review and randomly audit files twice a year with a sample size consistent with audit practices. The food service department will review each individual application three times a year, looking for accuracy.</p>

Lapeer Community Schools of Lapeer County

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

<u>Prior Year Finding Number</u>	<u>Fiscal Year in Which the Finding Initially Occurred</u>	<u>Federal Program, CFDA Number, and Name</u>	<u>Original Finding Description</u>	<u>Status/Partial Corrective Action (as applicable)</u>	<u>Planned Corrective Action (if finding not corrected)</u>
2015-001	2015	N/A	Due to open/remote/ temporarily filled positions within the business office, there was a decline in timeliness of review, creating an increase in control risks.	Corrected	N/A