Fruitport Community Schools

Year Ended
June 30, 2015

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FRUITPORT COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

October 22, 2015

Board of Education
Fruitport Community Schools
Fruitport, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Fruitport Community Schools* (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 22, 2015, 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 OMB Circular A-133 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.

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FRUITPORT COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	141970	$ 115,148
National School Lunch - Breakfast	10.553	MDE	151970	113,405
National S/L Section 4 All Lunches	10.555	MDE	141960	572,578
National S/L Section 4 All Lunches	10.555	MDE	151960	520,977
Non-Cash Assistance:				
Entitlement Commodities	10.555	MDE	n/a	66,556
Child and Adult Care Food Program	10.558	MDE	151920	4,058
Total U.S. Department of Agriculture				
U.S. Department of Education				
Adult Basic Education	84.002a	MAISD	2013-14	23,500
Title I, Part A	84.010	MDE	141530-1314	463,983
Title I, Part A	84.010	MDE	151530-1415	548,921
Special Education Cluster:				
IDEA State Initiated Transition	84.027a	MAISD	130450-1314	139,261
IDEA State Initiated Transition	84.027a	MAISD	140450-1314	1,395,445
IDEA State Initiated Transition	84.027a	MAISD	140450-1415	159,172
IDEA State Initiated Transition	84.027a	MAISD	150450-1415	1,598,697
Special Education - Preschool	84.173a	MAISD	130460-1314	65,517
Special Education - Preschool	84.173a	MAISD	140460-1314	15,670
Special Education - Preschool	84.173a	MAISD	140460-1415	80,279
Special Education - Preschool	84.173a	MAISD	150460-1415	89,086
Title II, Part A	84.367	MDE	140520-1314	117,115
Title II, Part A	84.367	MDE	150520-1415	101,392
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Head Start	93.600	MAISD	05CH8258/15	314,027
Head Start	93.600	MAISD	05CH8258/16	352,561
Total U.S. Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue July 1, 2014	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2015	Accrued (Unearned) Revenue June 30, 2015
$ 2,549	$ 16,115	$ 101,582	$ 13,566	$ -
-	113,405	-	113,405	-
10,531	80,702	502,407	70,171	-
-	520,977	-	520,977	-
-	66,556	-	66,556	-
13,080	797,755	603,989	784,675	-
-	4,058	-	4,058	-
13,080	801,813	603,989	788,733	-
-	23,500	-	23,500	-
113,084	113,084	395,905	-	-
-	403,436	-	490,371	86,935
113,084	516,520	395,905	490,371	86,935
63,858	63,858	139,261	-	-
378,072	378,072	1,395,445	-	-
-	137,975	-	159,172	21,197
-	920,955	-	1,386,224	465,269
36,778	36,778	65,517	-	-
4,683	4,683	15,670	-	-
-	53,258	-	80,279	27,021
-	127	-	1,972	1,845
483,391	1,595,706	1,615,893	1,627,647	515,332
6,833	6,833	98,720	-	-
-	58,162	-	59,569	1,407
6,833	64,995	98,720	59,569	1,407
603,308	2,200,721	2,110,518	2,201,087	603,674
66,915	216,935	164,007	150,020	-
-	122,303	-	200,205	77,902
66,915	339,238	164,007	350,225	77,902
$ 683,303	$ 3,341,772	$ 2,878,514	$ 3,340,045	$ 681,576

FRUITPORT 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 Fruitport Community Schools (the "District") under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of *the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.* 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 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 Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 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.

3. RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

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.

A reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit act compliance Schedule of Expenditures of Federal Awards is as follows:

Federal revenue as reported in the financial statements:	
General fund	$ 2,551,312
Other governmental funds (includes food service fund)	1,164,840
Less qualified school construction bond interest credit	(376,107)
Expenditures per schedule of expenditures of federal awards	$ 3,340,045

Notes to Schedule of Expenditures of Federal Awards

4. 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	Pass-through Agency Name
MDE	Michigan Department of Education
MAISD	Muskegon Area Intermediate School District

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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*

October 22, 2015

Honorable members of the Board of Education
of the Fruitport Community Schools
Fruitport, 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, the major fund, and the aggregate remaining fund information of the *Fruitport Community Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.*

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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 22, 2015

Honorable members of the Board of Education
of the Fruitport Community Schools
Fruitport, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Fruitport Community Schools* (the "District") with the types of compliance requirements described in *2 CFR 200 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, 2015. 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 Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. 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 OMB Circular A-133, 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 that a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Robson LLC

FRUITPORT COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Type of 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 § 200.516?		X yes		no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.556 and 10.559	Child Nutrition Cluster
84.010	Title I, Part A
84.367	Title II, Part A
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?		yes	X	no

FRUITPORT COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-001 – Annual On-Site Monitoring Review Personnel

Finding Type. Immaterial Noncompliance (Procurement, Suspension, and Debarment).

Programs. Child Nutrition Cluster; U.S. Department of Agriculture; CFDA Numbers 10.553 and 10.555; Passed through the Michigan Department of Education (MDE); Award Numbers 141970, 151970, 141960 and 151960.

Criteria. The MDE audit guide requires that all school food service programs conduct an annual internal monitoring review of their processes and that the annual review be conducted by a District employee.

Condition. The annual review process for the school year ended June 30, 2015 was conducted by the Director of Dining Services, who is an employee of the District's food service management company. Although the report was reviewed by the Director of Business Services, the Director was not present for the actual review process.

Cause. This condition appears to be a result of a misunderstanding by administration of the state requirements related to this program.

Effect. As a result of this condition, the District was not in full compliance with MDE requirements pertaining to the Child Nutrition Cluster.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as this review did not detect any issues that would have caused a change in the number of meals claimed.

Recommendation. We recommend that a responsible member of school administration either complete the review or accompany the Director of Dining Services while annual reviews are being conducted and observe the process. The resulting report should then be signed by the same administrator.

View of Responsible Officials. Management agrees with the finding as presented. In future years, an employee of the District will complete the annual internal monitoring reviews as required by the MDE audit guide.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

None reported.

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