

Reeths-Puffer Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditors' Reports
June 30, 2014



C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**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 13, 2014

Board of Education
Reeths-Puffer Schools
Muskegon, 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 the *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 Reeths-Puffer Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Reeths-Puffer Schools' basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

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

Board of Education
October 13, 2014
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reeths-Puffer 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*.

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.

A handwritten signature in black ink that reads "Brickley De Long, P.C." The signature is written in a cursive style with a large, prominent 'B' and 'D'.

Muskegon, Michigan

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 13, 2014

Board of Education
Reeths-Puffer Schools
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited Reeths-Puffer Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Reeths-Puffer Schools' cluster of major federal programs for the year ended June 30, 2014. Reeths-Puffer Schools' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Reeths-Puffer Schools' cluster of 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 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 Reeths-Puffer 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 a cluster of major federal programs. However, our audit does not provide a legal determination of Reeths-Puffer Schools' compliance.

Board of Education
October 13, 2014
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Opinion on Each Major Federal Program

In our opinion, Reeths-Puffer Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its cluster of major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Reeths-Puffer 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 Reeths-Puffer 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 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 Reeths-Puffer 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 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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Board of Education
October 13, 2014
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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reeths-Puffer Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Reeths-Puffer Schools' basic financial statements. We issued our report thereon dated October 13, 2014, which contained an unmodified opinion 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 financial statements and certain additional 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.



Muskegon, Michigan

Reeths-Puffer Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2013	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2014	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Education</i>										
Direct program:										
Indian Education—Grants to Local Educational Agencies	84.060									
S060A120013		\$ 29,043	\$ 2,180	\$ 2,180	\$ 28,180	\$ -	\$ 28,180	\$ -	\$ -	
S060A130013		23,601	-	23,601	-	23,601	23,601	-	-	
		<u>52,644</u>	<u>2,180</u>	<u>25,781</u>	<u>28,180</u>	<u>23,601</u>	<u>51,781</u>	<u>-</u>	<u>-</u>	
Passed through Michigan Department of Education:										
Title I—Grants to Local Educational Agencies	84.010									
131530 1213		585,839	172,794	168,059	542,272	-	542,272	-	(4,735)	4
141530 1314		583,020	-	341,720	-	546,278	546,278	204,558	-	
		<u>1,168,859</u>	<u>172,794</u>	<u>509,779</u>	<u>542,272</u>	<u>546,278</u>	<u>1,088,550</u>	<u>204,558</u>	<u>(4,735)</u>	
Improving Teacher Quality State Grants	84.367									
130520 1213		154,035	11,287	11,287	111,147	-	111,147	-	-	
140520 1314		183,404	-	87,345	-	119,722	119,722	32,377	-	
		<u>337,439</u>	<u>11,287</u>	<u>98,632</u>	<u>111,147</u>	<u>119,722</u>	<u>230,869</u>	<u>32,377</u>	<u>-</u>	
Total passed through Michigan Department of Education		1,506,298	184,081	608,411	653,419	666,000	1,319,419	236,935	(4,735)	
Passed through Muskegon Area Intermediate School District:										
Special Education Cluster										
Special Education—Grants to States	84.027									
120450		1,269,447	52,346	52,346	1,269,447	-	1,269,447	-	-	
130450		1,359,899	227,774	397,442	1,036,955	322,944	1,359,899	153,276	-	
140450		1,078,834	-	807,162	-	1,039,738	1,039,738	232,576	-	
		<u>3,708,180</u>	<u>280,120</u>	<u>1,256,950</u>	<u>2,306,402</u>	<u>1,362,682</u>	<u>3,669,084</u>	<u>385,852</u>	<u>-</u>	
Special Education—Preschool Grants	84.173									
130460		94,903	21,441	23,346	92,998	1,905	94,903	-	-	
140460		77,646	-	53,157	-	71,321	71,321	18,164	-	
		<u>172,549</u>	<u>21,441</u>	<u>76,503</u>	<u>92,998</u>	<u>73,226</u>	<u>166,224</u>	<u>18,164</u>	<u>-</u>	
Total passed through Muskegon Area Intermediate School District		3,880,729	301,561	1,333,453	2,399,400	1,435,908	3,835,308	404,016	-	
Total U.S. Department of Education		5,439,671	487,822	1,967,645	3,080,999	2,125,509	5,206,508	640,951	(4,735)	

Reeths-Puffer Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2013	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2014	Adjustments	Notes
					Prior year(s)	Current year	Total			
<i>U.S. Department of Agriculture</i>										
Passed through Michigan Department of Education:										
Child Nutrition Cluster										
School Breakfast Program										
131970	10.553	\$ 162,264	\$ -	\$ 17,950	\$ 144,314	\$ 17,950	\$ 162,264	\$ -	\$ -	
141970		138,971	-	138,971	-	138,971	138,971	-	-	
		301,235	-	156,921	144,314	156,921	301,235	-	-	
National School Lunch Program										
131960	10.555	652,439	-	84,458	567,981	84,458	652,439	-	-	
141960		601,043	-	601,043	-	601,043	601,043	-	-	
Entitlement commodities		87,507	-	64,547	-	64,547	64,547	-	-	
		1,340,989	-	750,048	567,981	750,048	1,318,029	-	-	
Total Child Nutrition Cluster		1,642,224	-	906,969	712,295	906,969	1,619,264	-	-	
Passed through Michigan Fitness Foundation:										
Schools and Roads—Grants to States										
	10.665	4,058	-	4,058	-	4,058	4,058	-	-	
Total U.S. Department of Agriculture		1,646,282	-	911,027	712,295	911,027	1,623,322	-	-	
<i>U.S. Department of Health and Human Services</i>										
Passed through Muskegon Area Intermediate School District:										
Medical Assistance Program										
393	93.778	9,098	-	9,098	-	9,098	9,098	-	-	
TOTAL FEDERAL ASSISTANCE		\$ 7,095,051	\$ 487,822	\$ 2,887,770	\$ 3,793,294	\$ 3,045,634	\$ 6,838,928	\$ 640,951	\$ (4,735)	

The accompanying notes are an integral part of this schedule.

Reeths-Puffer Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the School District under programs of the federal government for the year ended June 30, 2014. 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 School District, it is not intended to and does not present the financial position or change in net position of the School District.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, 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.
3. Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
4. Accrued revenue as of July 1, 2013 was overstated by \$4,735 as the Michigan Department of Education disallowed a portion of the prior year expenditures under the program.
5. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2014

Governmental funds financial statements

General Fund	\$ 2,133,930	
Other governmental funds	<u>984,935</u>	\$ 3,118,865

Plus adjustment in note 4 above that was netted against federal revenue in the financial statements.	4,735
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Build America Bond federal interest subsidy is not subject to single audit	<u>(77,966)</u>
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Expenditures per single audit report	
Schedule of Expenditures of Federal Awards	<u><u>\$ 3,045,634</u></u>

Reeths-Puffer Schools
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2014

SECTION I—SUMMARY OF AUDITORS’ RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
2. Type of auditors' report issued on compliance for major programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no
4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

U.S. Department of Agriculture

10.553 and 10.555

Child Nutrition Cluster

5. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
6. Auditee qualified as low-risk auditee? X yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

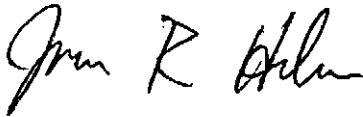
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 13, 2014

Michigan Department of Education
Lansing, Michigan

Reeths-Puffer Schools respectfully advises you that there were *no* audit findings reported in our single audit report, dated October 29, 2013, for the year ended June 30, 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason R. Helsen". The signature is written in a cursive, flowing style.

Jason Helsen
Director of Finance

CORRECTIVE ACTION PLAN

October 13, 2014

Michigan Department of Education
Lansing, Michigan

Reeths-Puffer Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2014

The findings from the Schedule of Findings and Responses for the year ended June 30, 2014 provided *no* findings in either Section II or Section III. Accordingly, there are *no* matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

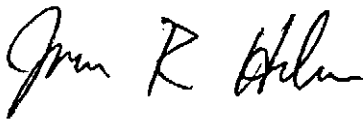
There were *no* findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were *no* findings in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Jason Helsen at (231) 744-4736.

Sincerely,



Jason Helsen
Director of Finance