

**Charlotte Public Schools**

**Single Audit Report**

**June 30, 2016**

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## **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 Auditors' Report**

To the Board of Education  
Charlotte Public Schools  
Charlotte, 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 Charlotte Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements, and have issued our report thereon dated October 12, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Charlotte Public 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charlotte Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Charlotte Public 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charlotte Public 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.

*Yeo & Yeo, P.C.*

Lansing, MI  
October 12, 2016

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal  
Awards Required by Uniform Grant Guidance**

**Independent Auditors' Report**

To the Board of Education  
Charlotte Public Schools  
Charlotte, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Charlotte Public 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 Charlotte Public Schools' major federal programs for the year ended June 30, 2016. Charlotte Public 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 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 Charlotte Public 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 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 Charlotte Public 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 Charlotte Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Charlotte Public 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 Charlotte Public 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 Charlotte Public 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 Charlotte Public 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlotte Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charlotte Public Schools' basic financial statements. We issued our report thereon dated October 12, 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 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Lansing, MI  
October 12, 2016

**Charlotte Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued Revenue June 30, 2016
U. S. Department of Agriculture							
Passed through Michigan Department of Education							
Nutrition Cluster							
151970 National School Breakfast	10.553	\$ 135,105	\$ -	\$ 122,355	\$ 12,750	\$ 12,750	\$ -
161970 National School Breakfast		142,241	-	-	142,241	142,241	-
			<u>-</u>	<u>122,355</u>	<u>154,991</u>	<u>154,991</u>	<u>-</u>
National School Lunch							
151960 Sec. 11 - Free and Reduced	10.555	450,551	-	404,885	45,666	45,666	-
161960 Sec. 11 - Free and Reduced		398,949	-	-	398,949	398,949	-
			<u>-</u>	<u>404,885</u>	<u>444,615</u>	<u>444,615</u>	<u>-</u>
Commodities - Non-Cash Assistance							
Entitlement - 15/16	10.555	78,059	-	-	78,059	78,059	-
Summer Food Services Program							
150900 SFSP Operating	10.559	8,934	2,384	2,384	8,785	8,934	2,235
Total Nutrition Cluster			<u>2,384</u>	<u>529,624</u>	<u>686,450</u>	<u>686,599</u>	<u>2,235</u>
Child Care Food Program							
151920/152010 CACFP Meals	10.558	16,012	1,017	12,044	3,968	4,985	-
161920/162010 CACFP Meals		10,857	-	-	12,911	10,857	2,054
			<u>1,017</u>	<u>12,044</u>	<u>16,879</u>	<u>15,842</u>	<u>2,054</u>
Total U.S. Department of Agriculture			<u>3,401</u>	<u>541,668</u>	<u>703,329</u>	<u>702,441</u>	<u>4,289</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Charlotte Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued Revenue June 30, 2016
U.S. Department of Education							
Passed through Michigan Department of Education							
1515301415 - Title I	84.010	224,917	39,458	224,917	-	39,458	-
1615301516 - Title I		352,804	-	-	332,359	174,821	157,538
			<u>39,458</u>	<u>224,917</u>	<u>332,359</u>	<u>214,279</u>	<u>157,538</u>
1505201415 Title IIA - Improving Teacher Quality	84.367	114,262	17,039	111,899	2,363	19,402	-
1605201516 Title IIA - Improving Teacher Quality		201,739	-	-	168,646	112,185	56,461
			<u>17,039</u>	<u>111,899</u>	<u>171,009</u>	<u>131,587</u>	<u>56,461</u>
McKinney-Vento Education for Homeless Children and Youth Program	84.196	245	-	-	245	-	245
Special Education							
Passed through Eaton Intermediate School District							
2014-15 IDEA Flowthrough	84.027A	607,011	107,381	607,011	-	107,381	-
2015-16 IDEA Flowthrough		556,672	-	-	556,672	316,033	240,639
			<u>107,381</u>	<u>607,011</u>	<u>556,672</u>	<u>423,414</u>	<u>240,639</u>
Total U.S. Department of Education			<u>163,878</u>	<u>943,827</u>	<u>1,060,285</u>	<u>769,280</u>	<u>454,883</u>
Total Federal Programs			<u>\$ 167,279</u>	<u>\$ 1,485,495</u>	<u>\$ 1,763,614</u>	<u>\$ 1,471,721</u>	<u>\$ 459,172</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Charlotte Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Charlotte Public Schools 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 Charlotte Public Schools, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Charlotte Public Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Charlotte Public Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The following reconciles the federal revenue reported in the June 30, 2016 Financial Statement to the expenditures of Charlotte Public Schools administered federal programs reported on the Schedule of federal awards:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Childcare Fund</u>	<u>2010A Debt Service Fund</u>	<u>2011 Debt Service Fund</u>	<u>Total</u>
Revenues from Federal sources per financial statements	\$ 1,060,285	\$ 686,450	\$ 16,879	\$ 249,522	\$ 768,900	\$ 2,782,036
Less: Build America Bonds Federal Interest Subsidy which is not subject to the Single Audit Act.	-	-	-	(249,522)	(768,900)	(1,018,422)
Federal expenditures per Schedule of Expenditures of Federal Awards.	<u>\$ 1,060,285</u>	<u>\$ 686,450</u>	<u>\$ 16,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,763,614</u>

**Charlotte Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

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**Note 4 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

**Charlotte Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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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 §200.516(a)?

Yes  No

**Charlotte Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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Identification of major programs:

CFDA Number(s)

10.553/10.555/10.558/10.559

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 a low-risk auditee?

Yes  No

**Charlotte Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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**Section II – Government Auditing Standards**

Current Year

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2016.

Prior Year

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2015.

**Charlotte Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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**Section III – Federal Awards Findings and Questioned Costs**

Current Year

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2016.

Prior Year

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.