

**Otsego Public Schools**

**Single Audit Report**

**June 30, 2021**



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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**

Members of the Board of Education  
Otsego Public Schools  
Otsego, 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 Otsego Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements, and have issued our report thereon dated October 19, 2021.

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

In planning and performing our audit of the financial statements, we considered Otsego Public Schools' internal control over financial reporting (internal control) as a basis for designing 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 Otsego Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Otsego 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 Otsego 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 financial statements. 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.*  
Kalamazoo, Michigan  
October 19, 2021



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

### **Independent Auditors' Report**

Members of the Board of Education  
Otsego Public Schools  
Otsego, Michigan

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

We have audited Otsego 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 Otsego Public Schools' major federal programs for the year ended June 30, 2021. Otsego Public Schools' major federal programs are 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 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 Otsego 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 Otsego 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 Otsego Public Schools' compliance.

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

In our opinion, Otsego 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, 2021.

### **Report on Internal Control over Compliance**

Management of Otsego 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 Otsego 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 Otsego 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 Otsego Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements. We issued our report thereon dated October 19, 2021, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 19, 2021

**Otsego Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	Accrued Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust- ments	Accrued Revenue June 30, 2021
<b>U.S. Department of Agriculture</b>									
Child Nutrition Cluster									
Passed through Michigan Department of Education									
Non-cash assistance (commodities)									
National School Lunch Program									
Commodities - Entitlement	N/A	10.555	\$ 59,768	\$ -	\$ -	\$ 59,768	\$ 59,768	\$ -	\$ -
Commodities - Bonus			1,159	-	-	1,159	1,159	-	-
Total commodities			<u>60,927</u>	<u>-</u>	<u>-</u>	<u>60,927</u>	<u>60,927</u>	<u>-</u>	<u>-</u>
Cash assistance									
National School Lunch Program									
COVID-19 - National School Lunch Program	200902	10.555	<u>542,999</u>	<u>135,840</u>	<u>570,241</u>	<u>-</u>	<u>108,598</u>	<u>(27,242)</u>	<u>-</u>
Summer Food Service Program									
COVID-19 - Summer Food Service Program for Children	200900	10.559	128,625	-	-	128,625	128,625	-	-
COVID-19 - Summer Food Service Program for Children	200901	10.559	27,242	-	-	-	27,242	27,242	-
COVID-19 - Summer Food Service Program for Children	210904	10.559	<u>621,067</u>	<u>-</u>	<u>-</u>	<u>621,067</u>	<u>563,689</u>	<u>-</u>	<u>57,378</u>
Total Summer Food Service Program			<u>776,934</u>	<u>-</u>	<u>-</u>	<u>749,692</u>	<u>719,556</u>	<u>27,242</u>	<u>57,378</u>
Total Child Nutrition Cluster			<u>1,380,860</u>	<u>135,840</u>	<u>570,241</u>	<u>810,619</u>	<u>889,081</u>	<u>-</u>	<u>57,378</u>
Passed through Michigan Department of Education									
Child and Adult Care Food Program									
COVID-19 - Child and Adult Care Food Program	201920	10.558	17,333	-	16,881	452	452	-	-
Child and Adult Care Food Program	211920	10.558	<u>11,477</u>	<u>-</u>	<u>-</u>	<u>11,477</u>	<u>10,754</u>	<u>-</u>	<u>723</u>
Total Child and Adult Care Food Program			<u>28,810</u>	<u>-</u>	<u>16,881</u>	<u>11,929</u>	<u>11,206</u>	<u>-</u>	<u>723</u>
Total Department of Agriculture			<u>1,409,670</u>	<u>135,840</u>	<u>587,122</u>	<u>822,548</u>	<u>900,287</u>	<u>-</u>	<u>58,101</u>
<b>U.S. Department of Treasury</b>									
Passed through Michigan Department of Education									
Coronavirus Relief Funds									
COVID-19 - 11p Coronavirus Relief Funds	11p	21.019	822,906	-	-	701,953	822,906	-	(120,953)
COVID-19 - 103(2) District COVID Costs	103(2)	21.019	28,966	-	-	28,966	28,966	-	-
Passed through Copper Country ISD									
COVID-19 - Device Purchasing Program	2020-2021	21.019	34,889	-	-	34,889	34,889	-	-
Passed through The Gun Lake Tribe									
Coronavirus Relief Funds	2020-2021	21.019	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total Coronavirus Relief Funds/U.S. Department of Treasury			<u>911,761</u>	<u>-</u>	<u>-</u>	<u>790,808</u>	<u>911,761</u>	<u>-</u>	<u>(120,953)</u>
<b>U.S. Department of Education</b>									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies									
Title I Grants to Local Educational Agencies	201530-1920	84.010	250,067	21,991	206,167	9,409	31,400	-	-
Title I Grants to Local Educational Agencies	211530-2021	84.010	<u>286,511</u>	<u>-</u>	<u>-</u>	<u>243,486</u>	<u>109,418</u>	<u>-</u>	<u>134,068</u>
Total Title I Grants to Local Educational Agencies			<u>536,578</u>	<u>21,991</u>	<u>206,167</u>	<u>252,895</u>	<u>140,818</u>	<u>-</u>	<u>134,068</u>
Passed through Allegan Area ESA									
Special Education Preschool Grants	2020-2021	84.173	<u>16,222</u>	<u>-</u>	<u>-</u>	<u>16,222</u>	<u>16,222</u>	<u>-</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**Otsego Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	Accrued Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust- ments	Accrued Revenue June 30, 2021
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	190532-1920	84.367	12,326	11,202	11,202	-	11,202	-	-
Supporting Effective Instruction State Grants	200520-1920	84.367	87,291	32,594	46,814	3,027	35,621	-	-
Supporting Effective Instruction State Grants	210520-2021	84.367	<u>100,060</u>	-	-	<u>49,367</u>	<u>20,525</u>	-	<u>28,842</u>
Total Supporting Effective Instruction State Grants			<u>199,677</u>	<u>43,796</u>	<u>58,016</u>	<u>52,394</u>	<u>67,348</u>	-	<u>28,842</u>
Passed through Michigan Department of Education									
Language Instruction for Immigrant Students	210580-2021	84.365	2,786	-	-	2,784	2,784	-	-
Language Instruction for Immigrant Students	210570-2021	84.365	<u>2,522</u>	-	-	<u>2,028</u>	<u>2,086</u>	-	<u>(58)</u>
Total Language Instruction for Immigrant Students			<u>5,308</u>	-	-	<u>4,812</u>	<u>4,870</u>	-	<u>(58)</u>
Passed through Michigan Department of Education									
Student Support and Academic Enrichment Program	200750-1920	84.424	22,838	11,109	11,109	2,321	13,430	-	-
Student Support and Academic Enrichment Program	210750-2021	84.424	<u>23,950</u>	-	-	<u>13,079</u>	<u>10,673</u>	-	<u>2,406</u>
Total Student Support and Academic Enrichment Program			<u>46,788</u>	<u>11,109</u>	<u>11,109</u>	<u>15,400</u>	<u>24,103</u>	-	<u>2,406</u>
Passed through Michigan Department of Education									
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act									
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	203710-2021	84.425D	<u>164,258</u>	-	-	<u>164,258</u>	<u>164,258</u>	-	-
Total U.S. Department of Education			<u>968,831</u>	<u>76,896</u>	<u>275,292</u>	<u>505,981</u>	<u>417,619</u>	-	<u>165,258</u>
<b>U.S. Department of Health and Human Services</b>									
Passed through Allegan Area ESA									
Medicaid Cluster									
Medical Assistance Program	2020-2021	93.778	<u>2,441</u>	-	-	<u>2,441</u>	<u>2,441</u>	-	-
Total Federal Programs			<u>\$ 3,292,703</u>	<u>\$ 212,736</u>	<u>\$ 862,414</u>	<u>\$ 2,121,778</u>	<u>\$ 2,232,108</u>	<u>\$ -</u>	<u>\$ 102,406</u>

**Otsego Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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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 Otsego Public Schools under programs of the federal government for the year ended June 30, 2021. 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 Otsego Public Schools, it is not intended to and does not present the financial position or changes in financial position of Otsego Public Schools.

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

**Expenditures**

Expenditures reported on the Schedule are reported on the modified 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. Adjustments shown on the Schedule represents additions or subtractions in the normal course of business to amounts reported as expenditures in prior years.

**Indirect Cost Rate**

Otsego 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**

Federal revenues per the financial statements	\$2,310,085
Unavailable revenue (not received within sixty days in current year)	57,378
Unavailable revenue (not received within sixty days in prior year)	(27,242)
Child care relief payments received under a beneficiary arrangement	<u>(218,443)</u>
Federal expenditures per the Schedule	<u>\$2,121,778</u>

**Note 4 – Subrecipients**

No amounts were provided to subrecipients.

**Note 5 – Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the Schedule.

The amounts reported on the recipient entitlement balance report agree with the Schedule for U.S.D.A. donated food commodities.

**Otsego Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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 §200.516(a)? \_\_\_\_\_ Yes        X   No

Identification of major programs:

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

21.019	Coronavirus Relief Funds
84.425D	Educational Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

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

- Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   No

**Otsego Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Audit Standards* findings for the year ended June 30, 2021.

**SECTION III – FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021

**Otsego Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**SECTION IV – PRIOR GOVERNMENT AUDITING STANDARDS FINDINGS**

**2020-001 (Material Weakness) – Review of Reconciliations and Adjusting Journal Entries**

**Criteria** – A sound internal control design provides for adequate segregation of duties, including review of significant workpapers and reconciliations.

**Condition** – Certain accounts and workpapers, including but not limited to, bank reconciliations, manual adjusting entries, accrued retirement payable, and others, were not reviewed by an individual separate from the person performing the work.

**Cause and Effect** – Due to the District being relatively small and having a small business office, certain employees perform some duties from start to finish without a review being performed by a separate individual. We noted that bank reconciliations were performed timely during the year but were not reviewed in an optimal level of detail. Manual audit adjustments also were not reviewed in all cases. Finally, certain areas such as compensated absence and certain payroll liabilities were accounted for and reconciled by one individual and not reviewed. The lack of review and segregation of duties presents the opportunity for fraud or error to occur. We did discover a material adjustment due to this lack of review. Had a review been performed by an individual other than the person responsible for accounting for these areas, the error might have been identified before the audit.

**Recommendation** – We recommend the District identifies all areas where a lack of review is present and identify individuals in the business office with the skills, knowledge, and experience to review these areas on a consistent basis to reduce the possibility of a material misstatement.

**Status:** Corrected as identified in the prior year's corrective action plan.

**Otsego Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**SECTION V – PRIOR FEDERAL AWARD FINDINGS**

**2020-002 (Significant Deficiency) – Review of Meal Claims**

**Criteria** – Meals claimed for reimbursement for programs funded by the Child Nutrition Cluster should be supported by meals served data, such as point of sale or manual count sheets.

**Condition** – Meal claims for the unanticipated school closure did not match supporting documentation.

**Cause and Effect** – It appears that meal claims documentation was not accumulated correctly for entry into the claims system due to clerical errors, and a proper detailed review of the data had not taken place. As a result, April, May, and June claims were understated by approximately \$27,242.

**Recommendation** – We recommend that a detailed review of claim data takes place before filing the monthly claim to ensure that the District is not over or under claiming meals on their reimbursement request. Special attention should be given to the paper/manual count sheets since they are more susceptible to error than POS data.

**Status:** Corrected as identified in the prior year's corrective action plan.



October 19, 2021

Management and the Board of Education  
Otsego Public Schools  
Otsego, Michigan

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Otsego Public Schools as of and for the year ended June 30, 2021, and have issued our report dated October 19, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 9, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The Organization has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2020:

- Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

The financial statement disclosures are neutral, consistent, and clear.



## **Accounting Standards and Regulatory Updates**

### **Accounting Standards**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and, in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Retirement expenditures in the general fund and retirement expense in the district-wide statements was overstated by \$186,539. Beginning fund balance in the general fund and beginning district-wide beginning net assets was overstated \$94,525.

There was a potential passed adjustment for the year ended June 30, 2020. The effect of not making this adjustment in the current year is that beginning fund balance for the General Fund as well as district-wide net assets is understated by \$26,532,

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no such disagreements with management during the audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Emphasis of Matters in Independent Auditors' Report**

Our report will include the following emphasis of matter paragraph:

### **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the School District adopted GASB Statement no. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

## **Other Reports**

Other information that is required to be reported to you is included in the: 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Appendix II Matters for Management's Consideration**

In planning and performing our audit of the financial statements of Otsego Public Schools as of and for the year ended June 30, 2021, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls and ensuring compliance with regulations. This letter does not affect our report dated October 19, 2021, on the financial statements of Otsego Public Schools. Our comments and recommendations regarding those matters are:

### **Federal Capital Asset Schedule**

Federal regulations require a listing of capital assets purchased with federal funds is maintained. Although we have the listing provided by audit contacts from the prior year audit, the District was not able to locate any listing in the current year. It is assumed that the listing was not updated for current or prior year additions and an inventory had not been performed. Additionally, it was noted in a prior year audit that the listing was missing some required information, such as the acquisition cost and FAIN. The district's Title I inventory listing was also missing various information for certain assets. We recommend both the Federal food service and Title I asset listings are updated to be complete in the current year.

This is a repeat comment from the prior year.

### **Review of Reconciliations**

We are sensitive to the fact that District has a small business office; however, we noted that it appeared there was not a formal review done of several financial statement areas and other work papers and backup provided for the audit. In the event of human error, it is ideal to have a second person reviewing financial statement activity in order to prevent misstatement.

We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the district. These procedures will help prevent human errors as well as being a deterrent to fraud.

This is a repeat comment from the prior year.

### **Interfund Payables**

We noted that the General Fund owed money to a Capital Projects Fund. The funds were acquired with a bond issuance, are required to be kept separate from other resources, and should not be used by other funds for any purposes. We recommend the capital project funds are made whole immediately and that these fund resources are not used for any other purposes in the future.

### **Grant Budgeting**

We noted that for certain grants, budgeted figures in the district's system did not match the approved budget figures from the respective consolidated application. We recommend the district ensures all grant budgets are entered into the system in the same manner as they are approved.