Otsego Public Schools

Single Audit Report

June 30, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements, and have issued our report thereon dated September 26, 2022.

Report on 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.

Report on 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
September 26, 2022

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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

Opinion on Each Major Federal Program
We have audited Otsego Public Schools' compliance with the types of compliance requirements identified as subject to audit 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, 2022. Otsego Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Otsego Public Schools complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Otsego Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

on compliance for each major federal program. Our audit does not provide a legal determination of Otsego Public Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Otsego Public Schools' federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Otsego Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Otsego Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Otsego Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Otsego Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Otsego Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and the related notes to the financial statements, which collectively comprise Otsego Public Schools' basic financial statements. We issued our report thereon dated September 26, 2022, 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
September 26, 2022

Otsego Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	(Unearned) Accrued Revenue July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust-ments		(Unearned) Accrued Revenue June 30, 2022
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through Michigan Department of Education										
Non-cash assistance (commodities)										
National School Lunch Program										
Entitlement Commodities	N/A	10.555	$ 90,820	$ -	$ -	$ 90,820	$ 90,820	$ -		$ -
Cash assistance										
National School Breakfast Program										
COVID-19 - Seamless Summer Option - Breakfast	211971	10.553	26,357	-	-	26,357	26,357	-		-
COVID-19 - Seamless Summer Option - Breakfast	221971	10.553	152,519	-	-	152,519	117,714	-		34,805
Total National School Breakfast Program			178,876	-	-	178,876	144,071	-		34,805
National School Lunch Program										
COVID-19 - Seamless Summer Option - Lunch	211961	10.555	172,104	-	-	172,104	172,104	-		-
COVID-19 - Supply Chain Assistance Funds	220910	10.555	48,571	-	-	-	48,571	-		(48,571)
COVID-19 - Seamless Summer Option - Lunch	221961	10.555	886,728	-	-	886,728	704,574	-		182,154
Total National School Lunch Program			1,107,403	-	-	1,058,832	925,249	-		133,583
Summer Food Service Program										
COVID-19 - Extended Summer Food Service Program	210904	10.559	674,053	57,378	621,067	52,986	110,364	-		-
COVID-19 - Extended Summer Food Service Program	220900	10.559	16,432	-	-	16,432	-	-		16,432
Total COVID-19 - Extended Summer Food Service Program			690,485	57,378	621,067	69,418	110,364	-		16,432
Total Child Nutrition Cluster			2,067,584	57,378	621,067	1,397,946	1,270,504	-		184,820
Passed through Michigan Department of Education										
Child and Adult Care Food Program	211920	10.558	14,865	723	11,477	3,388	4,111	-		-
Child and Adult Care Food Program	211925	10.558	580	-	-	580	580	-		-
Child and Adult Care Food Program	212010	10.558	25	-	-	25	25	-		-
Child and Adult Care Food Program	221920	10.558	20,465	-	-	20,465	16,283	-		4,182
Child and Adult Care Food Program	222010	10.558	11	-	-	11	11	-		-
Total Child and Adult Care Food Program			35,946	723	11,477	24,469	21,010	-		4,182
COVID-19 - Pandemic EBT Local Level Costs	210980	10.649	3,063	-	-	3,063	3,063	-		-
Total Department of Agriculture			2,106,593	58,101	632,544	1,425,478	1,294,577	-		189,002
U.S. Department of Treasury										
Passed through Michigan Department of Education										
COVID-19 - Coronavirus Relief Funds	11p	21.019	822,906	(120,953)	701,953	120,953	-	-		-
Federal Communications Commission										
Passed through Universal Service Administrative Company										
COVID-19 - Emergency Connectivity Fund Program	ECF202100896	32.009	684,034	-	-	635,478	544,395	-		91,083
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies	201530-1920	84.010	250,067		9,409	-	(271)	(271)	(1)	-
Title I Grants to Local Educational Agencies	211530-2021	84.010	286,511	134,068	243,486	5,870	139,938	-		-
Title I Grants to Local Educational Agencies	221530-2122	84.010	286,480	-	-	273,332	216,361	-		56,971
Total Title I Grants to Local Educational Agencies			823,058	134,068	252,895	279,202	356,028	(271)		56,971
Passed through Allegan Area ESA										
Special Education Preschool Grants	N/A	84.173	17,944	-	-	17,944	17,944	-		-

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, 2022

Federal Grantor Pass-Through Grantor Program Title	Pass Through Number	Assistance Listing Number	Approved Grant Amount	(Unearned) Accrued Revenue July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust-ments	(Unearned) Accrued Revenue June 30, 2022
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	210520-2021	84.367	100,060	28,842	49,367	4,076	32,918	-	-
Supporting Effective Instruction State Grants	220520-2122	84.367	116,707	-	-	95,952	52,232	-	43,720
Total Supporting Effective Instruction State Grants			216,767	28,842	49,367	100,028	85,150	-	43,720
Passed through Michigan Department of Education									
Language Instruction for Immigrant Students	210570-2021	84.365	2,522	(58)	2,028	-	(58)	-	-
Language Instruction for Immigrant Students	220570-2122	84.365	1,557	-	-	758	758	-	-
Total Language Instruction for Immigrant Students			4,079	(58)	2,028	758	700	-	-
Passed through Michigan Department of Education									
Student Support and Academic Enrichment Program	210750-2021	84.424	23,950	2,406	13,079	(9)	2,397	-	-
Student Support and Academic Enrichment Program	220750-2122	84.424	29,227	-	-	25,014	10,161	-	14,853
Total Student Support and Academic Enrichment Program			53,177	2,406	13,079	25,005	12,558	-	14,853
Passed through Michigan Department of Education									
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act									
COVID-19 - Governor's Emergency Educational Relief Funds (GEER II)	211202-2122	84.425C	30,000	-	-	30,000	30,000	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	213712-2021	84.425D	871,782	-	-	426,007	-	-	426,007
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	213722-2122	84.425D	80,300	-	-	80,300	80,300	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	213742-2122	84.425D	19,800	-	-	19,800	19,800	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	213752-2122	84.425D	25,000	-	-	25,000	25,000	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)	213713-2122	84.425U	1,305,266	-	-	441,596	-	-	441,596
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)	213723-2122	84.425U	587,660	-	-	94,298	-	-	94,298
Total Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act			2,919,808	-	-	1,117,001	155,100	-	961,901
Total U.S. Department of Education			4,034,833	165,258	317,369	1,539,938	627,480	(271)	1,077,445
U.S. Department of Health and Human Services									
Medicaid Cluster									
Passed through Allegan Area ESA									
Medical Assistance Program	N/A	93.778	5,040	-	-	5,040	5,040	-	-
Total Federal Programs			$ 7,653,406	$ 102,406	$ 1,651,866	$ 3,726,887	$ 2,471,492	$ (271)	$ 1,357,530

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Otsego Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

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, 2022. 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.

Adjustments
The adjustments column includes:

(1) Recapture of funds

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	$ 4,249,329
Unavailable revenue (not received within sixty days in prior year)	(57,378)
Child care relief payments received under a beneficiary agreement	(465,064)
Federal expenditures per the schedule	$ 3,726,887

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Note 5 – Michigan Department of Education Disclosures

The amounts reported on the recipient entitlement balance report agree with the Schedule for U.S.D.A. donated food commodities. The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule except for the following

		Reported on the GAR	Reported on the Schedule	Variance
Title I Part A	221530	$ 273,332	$ 216,361	$ 56,971
Title II, Part A	220520	99,952	52,232	47,720
Title IV Part A Student Support & Academic Enrich.	220750	25,014	10,161	14,853

These payments were disbursed per the GAR as of June 30, 2022, but not received by the District until July 2022.

Otsego Public Schools
Schedule of Findings and Questioned Costs
June 30, 2022

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**
32.009	Emergency Connectivity Fund Program
84.425C, 84.425D, 84.425U	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, 2022

SECTION II - *GOVERNMENT AUDITING STANDARDS* FINDINGS

There were no *Government Audit Standards* findings for the year ended June 30, 2022.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022

Otsego Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2022

SECTION IV – PRIOR AUDIT FINDINGS

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

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September 26, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Public Schools (the School District) as of and for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 May 31, 2022. Professional standards also require that we communicate to you the following information related to our audit.

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

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 School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement.

- Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and

leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments.

- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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 statement 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.

- Leases receivable and related deferred inflows of resources. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing reasonable interest and discount rates.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

- Net other postemployment benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We 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.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Significant estimates
- Implementation of new accounting standard

Additional Information

<u>Cybersecurity Posture</u>

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

Accounting Standards

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

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 us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 that no such disagreements arose during the course of our 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 auditors' 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:

> **Change in Accounting Principle**
> As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. 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

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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