

# Eastpointe Community Schools

## Single Audit Report

June 30, 2018



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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**

Management and the Board of Directors  
Eastpointe Community Schools  
Eastpointe, 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 Eastpointe Community Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Eastpointe Community Schools' basic financial statements, and have issued our report thereon dated October 31, 2018.

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

In planning and performing our audit of the financial statements, we considered Eastpointe Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastpointe Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Eastpointe Community 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 Eastpointe Community 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.

Flint, Michigan  
October 31, 2018



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## **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 the Uniform Guidance**

### **Independent Auditors' Report**

Management and the Board of Directors  
Eastpointe Community Schools  
Eastpointe, Michigan

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

We have audited Eastpointe Community 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 Eastpointe Community Schools' major federal programs for the year ended June 30, 2018. Eastpointe Community 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 Eastpointe Community 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 Eastpointe Community 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 Eastpointe Community Schools' compliance.

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

In our opinion, Eastpointe Community 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, 2018.

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

Management of Eastpointe Community 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 Eastpointe Community 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 Eastpointe Community 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 Eastpointe Community Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Eastpointe Community Schools' basic financial statements. We issued our report thereon dated October 31, 2018, 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.*

Flint, Michigan  
October 31, 2018

**Eastpointe Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2017	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2018
U.S. Department of Agriculture							
Passed through Michigan Department of Education							
Child Nutrition Cluster							
Non-Cash Assistance							
Entitlement Commodities 17-18	10.555	\$ 139,342	\$ -	\$ -	\$ 139,342	\$ 139,342	\$ -
Cash Assistance							
School Breakfast Program							
171970	10.553	554,995	30,186	497,213	87,968	57,782	-
181970	10.553	480,902	-	-	384,592	480,902	96,310
Total School Breakfast Program		1,035,897	30,186	497,213	472,560	538,684	96,310
National School Lunch Program							
171960	10.555	1,142,828	55,116	1,021,413	176,531	121,415	-
181960	10.555	990,946	-	-	801,211	990,946	189,735
Total National School Lunch Program		2,133,774	55,116	1,021,413	977,742	1,112,361	189,735
Summer Food Service Program for Children							
170900	10.559	20,616	13,873	13,873	20,616	6,743	-
171900	10.559	2,121	1,430	1,430	2,121	691	-
180900	10.559	15,918	-	-	-	15,918	15,918
181900	10.559	1,646	-	-	-	1,646	1,646
Total Summer Food Service Program for Children		40,301	15,303	15,303	22,737	24,998	17,564
Total Cash Assistance		3,209,972	100,605	1,533,929	1,473,039	1,676,043	303,609
Total Child Nutrition Cluster		3,349,314	100,605	1,533,929	1,612,381	1,815,385	303,609
Total U.S. Department of Agriculture		3,349,314	100,605	1,533,929	1,612,381	1,815,385	303,609
U.S. Department of Labor							
Passed Through Macomb/St. Clair Workforce Development Board							
WIOA Cluster							
WIOA Youth Regular							
2017	17.259	99,340	24,426	99,340	24,426	-	-
2018	17.259	102,320	-	-	83,911	102,320	18,409
Total WIOA Youth Regular		201,660	24,426	99,340	108,337	102,320	18,409
WIOA Youth Summer Program							
2018	17.259	13,375	-	-	13,375	13,375	-
Total WIOA Cluster		215,035	24,426	99,340	121,712	115,695	18,409
Total U.S. Department of Labor		215,035	24,426	99,340	121,712	115,695	18,409

See accompanying notes to Schedule of Expenditures of Federal Awards



**Eastpointe Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2017	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2018
U. S. Department of Education							
Passed Through Intermediate School District							
Special Education Cluster							
Special Education - Grants to States							
170450-1617	84.027	\$ 1,440,764	\$ 500,027	\$ 1,032,011	\$ 871,921	\$ 408,753	\$ 36,859
180450-1718	84.027	946,414	-	-	708,017	946,414	238,397
Total Special Education - Grants to States		<u>2,387,178</u>	<u>500,027</u>	<u>1,032,011</u>	<u>1,579,938</u>	<u>1,355,167</u>	<u>275,256</u>
Special Education - Preschool Grants							
170460-1617	84.173	34,372	14,922	34,372	14,922	-	-
180460-1718	84.173	34,433	-	-	27,871	34,433	6,562
Total Special Education - Preschool Grants		<u>68,805</u>	<u>14,922</u>	<u>34,372</u>	<u>42,793</u>	<u>34,433</u>	<u>6,562</u>
Total Special Education Cluster		<u>2,455,983</u>	<u>514,949</u>	<u>1,066,383</u>	<u>1,622,731</u>	<u>1,389,600</u>	<u>281,818</u>
Passed through Michigan Department of Education							
Title I Grants to Local Educational Agencies							
171530-1617	84.010	2,952,440	390,158	1,763,686	841,157	450,999	-
181530-1718	84.010	3,062,195	-	-	1,861,181	2,508,876	647,695
Total Title I, Part A		<u>6,014,635</u>	<u>390,158</u>	<u>1,763,686</u>	<u>2,702,338</u>	<u>2,959,875</u>	<u>647,695</u>
Supporting Effective Instruction State Grants							
170520-1617	84.367	331,030	52,689	193,697	121,123	68,434	-
180520-1718	84.367	438,188	-	-	184,586	263,538	78,952
Total Supporting Effective Instruction State Grants		<u>769,218</u>	<u>52,689</u>	<u>193,697</u>	<u>305,709</u>	<u>331,972</u>	<u>78,952</u>
Student Support and Academic Enrichment							
180750-1718	84.424	40,041	-	-	9,687	12,133	2,446
Passed Through Intermediate School District							
Career and Technical Education - Basic Grants to States							
173520-171216	84.048	31,011	6,461	31,011	6,461	-	-
183520-181216	84.048	17,000	-	-	17,000	17,000	-
Total Career and Technical Education - Basic Grants to States		<u>48,011</u>	<u>6,461</u>	<u>31,011</u>	<u>23,461</u>	<u>17,000</u>	<u>-</u>
Total U.S. Department of Education		<u>9,327,888</u>	<u>964,257</u>	<u>3,054,777</u>	<u>4,663,926</u>	<u>4,710,580</u>	<u>1,010,911</u>
Total Federal Awards		<u>\$ 12,892,237</u>	<u>\$ 1,089,288</u>	<u>\$ 4,688,046</u>	<u>\$ 6,398,019</u>	<u>\$ 6,641,660</u>	<u>\$ 1,332,929</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**Eastpointe Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Eastpointe Community Schools under programs of the federal government for the year ended June 30, 2018. 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 Eastpointe Community Schools, it is not intended to and does not present the financial position or changes in fund balances of Eastpointe Community Schools.

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

**Expenditures**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either 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**

Eastpointe Community 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 reported in the financial statements equal the expenditures reported on the SEFA, except for the item below.

Federal expenditures per SEFA	\$ 6,641,660
Less: Unavailable revenue - deferred inflow	<u>(19,701)</u>
Federal revenue per financial statements	<u>\$ 6,621,959</u>

**Eastpointe Community Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

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**Note 4 - Other Reconciliations**

Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

The federal amounts reported on the CMS Grant Auditor Report (GAR) are in agreement with the SEFA, except for as noted below.

CFDA	Grant Award	Amount received after 6/30/18	Amount per GAR	Amount per SEFA
10.553	181970 1718	\$ 67,364	\$ 451,956	\$ 384,592
10.555	181960 1718	\$ 136,181	\$ 937,392	\$ 801,211

These grants were reported on the GAR in the prior year but were not received until current year:

CFDA	Grant Award	Amount received after 6/30/17	Amount per GAR	Amount per SEFA
84.010	171530 1617	\$ 148,590	\$ 692,567	\$ 841,157
84.367	170520 1617	\$ 6,789	\$ 114,335	\$ 121,124

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

**Note 5 - Funds Transferred to Subrecipients**

The School District did not transfer any federal funds to subrecipients during the fiscal year.

**Eastpointe Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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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 weakness(es) identified?   | _____ | Yes | _____ | X |  | No            |
| • Significant deficiency(ies) 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 weakness(es) identified?   | _____ | Yes | _____ | X |  | No            |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ | 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 |
|---|-------|-----|-------|---|--|----|

**Eastpointe Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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Identification of major programs:

CFDA Numbers  
84.027/84.173

Name of Federal Program  
Special Education Cluster

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

    X     Yes

           No

**Section II - Financial Statement Findings**

No matters were noted.

**Section III - Federal Award Findings and Questioned Costs**

No matters were noted.

**Eastpointe Community Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

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There were no findings for the year ended June 30, 2017.