
School District of the City of Hazel Park

**Federal Awards
Supplemental Information
June 30, 2018**

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

Independent Auditor's Report

To the Board of Education
School District of the City of Hazel Park

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of the City of Hazel Park (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated September 11, 2018, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 11, 2018.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 11, 2018

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 Auditor's Report

To Management and the Board of Education
School District of the City of Hazel Park

We have audited, in accordance with 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 School District of the City of Hazel Park (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 School District'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. We consider the deficiency, described in the accompanying schedule of findings and questioned costs as Finding 2018-002, to be a material weakness.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001.

The School District's Response to the Findings

The School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

To Management and the Board of Education
School District of the City of Hazel Park

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 11, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Education
School District of the City of Hazel Park

Report on Compliance for Each Major Federal Program

We have audited the School District of the City of Hazel Park's (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2018. The School District's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of the City of Hazel Park's 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* (the "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 the School District's 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 the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School District 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 the School District's 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 the School District's internal control over compliance.

To the Board of Education
School District of the City of Hazel Park

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 a 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.

Plante & Moran, PLLC

September 11, 2018

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2018
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:									
Noncash assistance (Commodities):									
Entitlement commodities - 2017-18	N/A	10.555	\$ 187,616	\$ -	\$ -	\$ -	\$ 187,616	\$ 187,616	\$ -
Bonus Commodities - 2017-18	N/A	10.555	3,142	-	-	-	3,142	3,142	-
Total Noncash Assistance (Commodities)			190,758	-	-	-	190,758	190,758	-
Cash assistance:									
National School Lunch Program 2016-17	171960	10.555	845,293	747,698	47,688	-	145,283	97,595	-
National School Lunch Program 2017-18	181960	10.555	784,772	-	-	-	736,829	784,772	47,943
National School Lunch Program - Afterschool Snacks 2016-17	171980	10.555	16,866	15,833	806	-	1,839	1,033	-
National School Lunch Program - Afterschool Snacks 2017-18	181980	10.555	17,843	-	-	-	16,971	17,843	872
Total National School Lunch Program (incl. commodities)			1,855,532	763,531	48,494	-	1,091,680	1,092,001	48,815
National School Breakfast Program 2016-17	171970	10.553	297,883	261,925	19,937	-	55,895	35,958	-
National School Breakfast Program 2017-18	181970	10.553	325,973	-	-	-	307,567	325,973	18,406
Total National School Breakfast Program			623,856	261,925	19,937	-	363,462	361,931	18,406
Summer Food Service Program (SFSP)	170900 171900	10.559	26,960	4,079	4,079	-	19,962	26,960	11,077
Total Child Nutrition Cluster			2,506,348	1,029,535	72,510	-	1,475,104	1,480,892	78,298
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:									
IDEA, Part B 1617	170450	84.027	774,410	751,343	77,744	-	55,802	23,067	45,009
IDEA, Part B 1718	180450	84.027	727,587	-	-	-	605,953	691,994	86,041
Total IDEA, Part B			1,501,997	751,343	77,744	-	661,755	715,061	131,050
Preschool Incentive:									
IDEA Preschool 2016-17	170460	84.173	13,808	13,808	1,700	-	1,700	-	-
IDEA Preschool 2017-18	180460	84.173	15,683	-	-	-	12,977	15,683	2,706
Total Preschool Incentive			29,491	13,808	1,700	-	14,677	15,683	2,706
Total Special Education Cluster			1,531,488	765,151	79,444	-	676,432	730,744	133,756
Medicaid Cluster - Michigan Department of Community Health - Passed through the Oakland County ISD - Medicaid Cluster									
	N/A	93.778	8,000	-	-	-	5,079	5,079	-
Total cluster programs			4,045,836	1,794,686	151,954	-	2,156,615	2,216,715	212,054

School District of the City of Hazel Park

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2018
Other federal awards:									
U.S. Department of Education -									
Passed through the Michigan Department of Education:									
Adult Education:									
ABE Instruction 2016-17	171130 171147	84.002	\$ 48,000	\$ 48,000	\$ -	\$ (297)	\$ (297)	-	-
ABE Instruction 2017-18	181130 181147	84.002	94,720	-	-	-	87,800	95,244	7,444
Institutional Programs 2016-17	171190 171147	84.002	30,000	30,000	-	(872)	(872)	-	-
Institutional Programs 2017-18	181190 181147	84.002	58,635	-	-	-	57,083	57,083	-
English Literacy/Civics 2016-17	171120 175147	84.002	22,200	22,200	522	-	522	-	-
Total Adult Education			253,555	100,200	522	(1,169)	144,236	152,327	7,444
Title I, Part A, Improving Basic Programs:									
Title I, Part A 1617	171530	84.010	1,033,650	765,102	65,662	-	212,403	146,741	-
Title I, Part A 1718	181530	84.010	979,294	-	-	-	668,306	800,390	132,084
Total Title I, Part A			2,012,944	765,102	65,662	-	880,709	947,131	132,084
Title I, Part D, Prevention and Intervention:									
Title I, Part D 1617	171700	84.013	45,827	45,827	-	(6,236)	(6,236)	-	-
Title I, Part D 1718	181700	84.013	10,608	-	-	-	10,608	10,608	-
Total Title I, Part D			56,435	45,827	-	(6,236)	4,372	10,608	-
Title II Part A - Improving Teacher Quality:									
Title II, Part A 1617	170520	84.367	440,129	178,030	43,956	-	91,416	47,460	-
Title II, Part A 1718	180520	84.367	371,109	-	-	-	289,777	347,816	58,039
Total Title II Part A			811,238	178,030	43,956	-	381,193	395,276	58,039
Title III - English Language Acquisition:									
Title III 1516	160580	84.365	76,563	41,831	-	(2,786)	(2,786)	-	-
Title III 1617	170580	84.365	61,541	58,479	2,118	-	2,963	845	-
Title III 1718	180580	84.365	35,168	-	-	-	34,590	35,178	588
Total Title III			173,272	100,310	2,118	(2,786)	34,767	36,023	588
Food Service Equipment 2016-17	161991	10.579	72,000	-	-	-	55,648	70,398	14,750
Total noncluster programs passed through the Michigan Department of Education									
			3,379,444	1,189,469	112,258	(10,191)	1,500,925	1,611,763	212,905

School District of the City of Hazel Park

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2018
Other federal awards (continued):									
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child and Adult Care Food Program - CACFP Meals 1718	181920	10.558	\$ 5,755	\$ -	\$ -	\$ -	\$ 5,755	\$ 5,978	\$ 223
U.S. Department of Justice - Passed through the National Institute of Justice Research, Evaluation and Development - NIJ Research Grant 2016	2016-CK-bx-0010	16.560	64,000	-	(17,000)	-	37,000	-	(54,000)
U.S National Foundation of the Arts and the Humanities - Passed through the Michigan Council for Arts and Cultural Affairs - MCACA Grant Program 2017	17AE3492RS	45.025	11,758	-	-	-	5,056	5,056	-
Total noncluster programs			3,460,957	1,189,469	95,258	(10,191)	1,548,736	1,622,797	159,128
Total federal awards			\$ 7,506,793	\$ 2,984,155	\$ 247,212	\$ (10,191)	\$ 3,705,351	\$ 3,839,512	\$ 371,182

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of School District of the City of Hazel Park (the "School District") under programs of the federal government for the year ended June 30, 2018. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. No payments to subrecipients were made during the fiscal year.

The School District has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

School District of the City of Hazel Park

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? X Yes None reported

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 weaknesses? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, 10.559	Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X Yes No

School District of the City of Hazel Park

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section II - Financial Statement Audit Findings

Reference Number	Finding
2018-001 - Repeat Finding 2017-001	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - The Michigan Uniform Budget and Accounting Act prohibits the School District from depleting fund balance beyond that which is approved by the board. The School District is prohibited from incurring a General Fund budget deficit.</p> <p>Condition - Entering the June 30, 2018 fiscal year, the School District had a deficit fund balance in the General Fund. During the June 30, 2018 fiscal year, the deficit was reduced, but a deficit continued to exist at June 30, 2018.</p> <p>Context - While the financial position improved, a deficit fund balance in the General Fund remained at June 30, 2018.</p> <p>Cause - Actual June 30, 2018 General Fund balance is at a deficit due to prior years' expenditures exceeding prior years' revenue. The financial outcome for the fiscal year ended June 30, 2018 resulted in revenue exceeding expenditures.</p> <p>Effect - The School District continues to operate under a deficit elimination plan monitored by the Michigan Department of Education and Michigan Department of Treasury, which requires that a positive fund balance be achieved by June 30, 2030.</p> <p>Recommendation - We recommend the School District adhere to its deficit elimination plan by increasing student counts, as well as identify and execute cost containment initiatives to restore positive fund balance.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District is operating under an approved Enhanced Deficit Elimination Plan (EDEP), approved by the Michigan Treasury in 2018. The School District filed an EDEP on April 26, 2018, which was approved by the Treasury.</p>

School District of the City of Hazel Park

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Reference Number	Finding
2018-002	<p>Finding Type - Material weakness</p> <p>Criteria - The School District's internal control structure should ensure that proper segregation of duties are in place to prevent intentional or unintentional errors in recording accounting data, to ensure that balances are properly supported and reported, and to prevent the intentional misappropriation of assets.</p> <p>Condition - Inadequate segregation of duties exists within the payroll and employee benefit functions of the School District.</p> <p>Context - A school district employee who prepares pay runs has the ability to access payroll master files, enter benefit elections, and change payroll data throughout the year.</p> <p>Cause - There are no preventive or detective controls in place to monitor pay rate edits or benefit election changes following input by this school district employee.</p> <p>Effect - There is a risk that improper or unauthorized expenditures may have been incurred by the School District.</p> <p>Recommendation - We recommend that the School District review its internal control structure to ensure that sufficient segregation of duties has been established within the payroll functions.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A process is in place that provides for segregation of duties. The process will be reviewed and amended to include review of all changes in payroll records by a staff member independent of the payroll process.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	