

EAST CHINA SCHOOL DISTRICT
St. Clair County, Michigan
SINGLE AUDIT REPORTS
For The Year Ended June 30, 2018

EAST CHINA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S 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

October 15, 2018

Board of Education
East China School District
1585 Meisner Road
East China, Michigan 48054

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, the business-type activities, each major fund, and the aggregate remaining fund information of EAST CHINA SCHOOL DISTRICT, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise East China School District's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East China 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 East China School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East China 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 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 East China 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 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.

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.
Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 15, 2018

Board of Education
East China School District
1585 Meisner Road
East China, Michigan 48054

Report on Compliance for Each Major Federal Program

We have audited EAST CHINA SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East China School District's major federal programs for the year ended June 30, 2018. East China School District's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East China School District'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* (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 East China 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 East China School District's compliance.

Opinion on Each Major Federal Program

In our opinion, East China 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 each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of East China 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 East China 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 East China School District's 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 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.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East China School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise East China School District's basic financial statements. We issued our report thereon dated October 15, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.
Certified Public Accountants

EAST CHINA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Award Amount	Inventory & Accrued (Deferred) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts and Inkind (Cash Basis)	Inventory & Accrued (Deferred) Revenue June 30, 2018	Adjustments
U.S. DEPARTMENT OF EDUCATION								
Passed Through Michigan Department of Education								
Title I, Part A of ESEA - Grants LEAs (CLUSTER)								
Project 171530 2016-2017	84.010	\$ 470,391	\$ 266,034	\$ 424,401	\$ -	\$ 266,034	\$ -	\$ -
Project 181530 2017-2018	84.010	454,534	-	-	437,822	287,921	149,901	-
<i>Total - 84.010</i>			<u>266,034</u>	<u>424,401</u>	<u>437,822</u>	<u>553,955</u>	<u>149,901</u>	<u>-</u>
Title II, Part A - Improving Teacher Quality								
Project 170520 2016-2017	84.367	\$ 190,175	\$ 90,945	\$ 176,767	\$ -	\$ 90,945	\$ -	\$ -
Project 180520 2017-2018	84.367	134,404	-	-	99,863	83,143	16,720	-
<i>Total - 84.367</i>			<u>90,945</u>	<u>176,767</u>	<u>99,863</u>	<u>174,088</u>	<u>16,720</u>	<u>-</u>
Title IV, Part A - Student Support & Academic Enrichment								
Project 180750 2017-2018	84.424	\$ 10,000	\$ -	\$ -	\$ 6,989	\$ 6,745	\$ 244	\$ -
<i>Total - 84.424</i>			<u>-</u>	<u>-</u>	<u>6,989</u>	<u>6,745</u>	<u>244</u>	<u>-</u>
Passed Through St Clair County Regional Educational Service Agency								
Special Education-IDEA, Part B & Preschool (CLUSTER)*								
Project 170450 Flowthrough Reg 2016-2017	84.027	\$ 885,222	\$ 451,681	\$ 873,337	\$ 11,886	\$ 460,079	\$ 3,488	\$ -
Project 180450 Flowthrough Reg 2017-2018	84.027	898,310	-	-	881,453	400,721	480,732	-
Project 170460 Flowthrough Preschool 2016-2017	84.173	35,523	18,736	35,523	-	18,736	-	-
Project 180460 Flowthrough Preschool 2017-2018	84.173	28,263	-	-	28,263	12,611	15,652	-
<i>Total - 84.027 & 84.173</i>			<u>470,417</u>	<u>908,860</u>	<u>921,602</u>	<u>892,147</u>	<u>499,872</u>	<u>-</u>
Passed Through Macomb Intermediate School District								
Title III, Part A - English Language Acquisition State Grants								
Project 180580 Flowthrough 1718	84.365	\$ 3,300	\$ -	\$ -	\$ 1,095	\$ -	\$ 1,095	\$ -
<i>Total - 84.365</i>			<u>-</u>	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>1,095</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 827,396</u>	<u>\$ 1,510,028</u>	<u>\$ 1,467,371</u>	<u>\$ 1,626,935</u>	<u>\$ 667,832</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule. See Page 6.

EAST CHINA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
(Continued)
For the Year Ended June 30, 2018

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Inventory & Accrued (Deferred) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts and Inkind (Cash Basis)	Inventory & Accrued (Deferred) Revenue June 30, 2018	Adjustments
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through Michigan Department of Education								
Child Nutrition (CLUSTER)								
<i>Non-Cash Assistance (Commodities):</i>								
National School Lunch	10.555	\$ 102,536	\$ -	\$ -	\$ 102,536	\$ 102,536	\$ -	\$ - (4)
<i>Total Non-Cash Assistance (Commodities)</i>			-	-	102,536	102,536	-	-
<i>Cash Assistance:</i>								
Project 171960 - NSL Sect 11 Free & Reduced Lunches	10.555	\$ 460,517	\$ 21,514	\$ 414,380	\$ 46,137	\$ 67,651	\$ -	\$ -
Project 171980 - NSL Sect 11 Free & Reduced Lunches	10.555	1,329	59	1,137	192	251	-	-
Project 181960 - NSL Sect 11 Free & Reduced Lunches	10.555	443,331	-	-	443,331	443,331	-	-
Project 181980 - NSL Sect 11 Free & Reduced Lunches	10.555	1,396	-	-	1,396	1,396	-	-
<i>Total-10.555</i>			21,573	415,517	491,056	512,629	-	-
Project 171970 - NSL Breakfast	10.553	\$ 130,857	\$ 8,213	\$ 119,429	\$ 11,428	\$ 19,641	\$ -	\$ -
Project 181970 - NSL Breakfast	10.553	123,757	-	-	123,757	123,757	-	-
<i>Total-10.553</i>			8,213	119,429	135,185	143,398	-	-
Project 170900 - SFSP Operating	10.559	\$ 11,541	\$ 1,988	\$ 1,988	\$ 9,536	\$ 11,524	\$ -	\$ -
Project 171900 - SFSP Operating	10.559	998	172	172	824	996	-	-
Project 180900 - SFSP Operating	10.559	2,836	-	-	2,836	-	2,836	-
Project 181900 - SFSP Operating	10.559	246	-	-	246	-	246	-
<i>Total-10.559</i>			2,160	2,160	13,442	12,520	3,082	-
<i>Total Cash Assistance</i>			31,946	537,106	639,683	668,547	3,082	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 31,946	\$ 537,106	\$ 742,219	\$ 771,083	\$ 3,082	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed Through St Clair County Regional Educational Service Agency								
Medicaid School Based Services Pupil Transportation	93.778	\$ 11,674	\$ 11,674	\$ 11,674	\$ -	\$ 11,674	\$ -	\$ -
Medicaid School Based Services Pupil Transportation	93.778	10,001	-	-	7,766	5,922	1,844	-
<i>Total-93.778</i>			11,674	11,674	7,766	17,596	1,844	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 11,674	\$ 11,674	\$ 7,766	\$ 17,596	\$ 1,844	\$ -
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 871,016	\$ 2,058,808	\$ 2,217,356	\$ 2,415,614	\$ 672,758	\$ -

- NOTES:
- * Designates Major Federal Financial Assistance Program
 - (1) Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the final cost reports (DS-4044's).
 - (2) Management has utilized the Michigan Department of Education's (MDE) Cash Management System (CMS) and Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.
 - (3) Significant accounting policies used: Revenues and expenditures are recognized on the modified accrual basis of accounting. Under this method, expenditures are recognized when incurred. Revenues are recognized if the expenditures have been incurred and cash was received within 60 days of year-end. Any excess or deficiency of revenue received is recorded as deferred and accrued revenue, respectively, at year-end. See Note 1 to the District's audited financial statements for further discussion of the accounting policies used.
 - (4) Management has elected not to record ending inventory.
 - (5) The District does not elect to use the 10% de minimis indirect cost rate. The District uses the indirect cost rates determined and approved by the Michigan Department of Education.

EAST CHINA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the 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? _____ Yes X None reported

Significant deficiency(ies) identified? _____ 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 None reported

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number(s)

84.027 & 84.173

Name of Federal Program or Cluster

IDEA 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

EAST CHINA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

EAST CHINA SCHOOL DISTRICT
Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

No matters reported.