

East Detroit Public Schools

Single Audit Report

June 30, 2017



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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
East Detroit Public 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 East Detroit Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise East Detroit Public Schools' basic financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Detroit Public 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 East Detroit Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of East Detroit Public Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Detroit 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 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 30, 2017



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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
East Detroit Public Schools
Eastpointe, Michigan

Report on Compliance for Each Major Federal Program

We have audited East Detroit Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East Detroit Public Schools' major federal programs for the year ended June 30, 2017. East Detroit Public 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 East Detroit Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Detroit Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Detroit Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, East Detroit Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of East Detroit Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Detroit Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Detroit Public Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Detroit Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise East Detroit Public Schools' basic financial statements. We issued our report thereon dated October 30, 2017, 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 30, 2017

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

	Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2016	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2017
U.S. Department of Agriculture									
Passed through Michigan									
Department of Education									
Nutrition Cluster									
Non-Cash Assistance	10.555		\$ 157,378	\$ -	\$ -	\$ -	\$ 157,378	\$ 157,378	\$ -
Entitlement Commodities									
Total Non-Cash Assistance			157,378	-	-	-	157,378	157,378	-
Cash Assistance									
School Breakfast Program	10.553	161970	561,286	30,666	505,257	-	86,695	56,029	-
		171970	497,213	-	-	-	467,027	497,213	30,186
			1,058,499	30,666	505,257	-	553,722	553,242	30,186
National School Lunch Program	10.555								
		161960	1,243,543	57,084	1,126,563	-	174,064	116,980	-
		171960	1,021,413	-	-	-	966,297	1,021,413	55,116
			2,264,956	57,084	1,126,563	-	1,140,361	1,138,393	55,116
Summer Food Service Program for Children	10.559								
		160900	23,902	14,815	14,815	-	23,902	9,087	-
		161900	2,462	1,527	1,527	-	2,462	935	-
		170900	13,873	-	-	-	-	13,873	13,873
		171900	1,430	-	-	-	-	1,430	1,430
			41,667	16,342	16,342	-	26,364	25,325	15,303
Total Cash Assistance			3,365,122	104,092	1,648,162	-	1,720,447	1,716,960	100,605
Total Nutrition Cluster			3,522,500	104,092	1,648,162	-	1,877,825	1,874,338	100,605
Total U.S. Department of Agriculture			3,522,500	104,092	1,648,162	-	1,877,825	1,874,338	100,605
Passed Through Macomb/St. Clair Workforce									
Development Board									
WIOA Youth Regular	17.259	2016	89,861	10,932	89,861	-	10,932	-	-
		2017	99,340	-	-	-	74,914	99,340	24,426
			189,201	10,932	89,861	-	85,846	99,340	24,426
WIOA Youth Summer Program	17.259	2016	1,733	1,733	1,733	-	1,733	-	-
		2017	15,444	-	-	-	15,444	15,444	-
			17,177	1,733	1,733	-	17,177	15,444	-
Total U.S. Department of Labor			206,378	12,665	91,594	-	103,023	114,784	24,426

See accompanying notes to Schedule of Expenditures of Federal Awards

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2016	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2017		
U. S. Department of Education										
Special Education Cluster										
Passed Through Intermediate School District										
	Special Education - Grants to States	84.027	160450-1516 170450-1617	\$ 1,466,641 1,032,011	\$ 379,521 -	\$ 937,919 -	\$ - -	\$ 908,243 531,984	\$ 528,722 1,032,011	\$ - 500,027
			<u>2,498,652</u>	<u>379,521</u>	<u>937,919</u>	<u>-</u>	<u>1,440,227</u>	<u>1,560,733</u>	<u>500,027</u>	
	Special Education - Preschool Grants	84.173	160460-1516 170460-1617	28,589 34,372	6,917 -	25,522 -	- -	9,984 19,450	3,067 34,371	- 14,921
			<u>62,961</u>	<u>6,917</u>	<u>25,522</u>	<u>-</u>	<u>29,434</u>	<u>37,438</u>	<u>14,921</u>	
	Total Special Education Cluster (IDEA)		<u>2,561,613</u>	<u>386,438</u>	<u>963,441</u>	<u>-</u>	<u>1,469,661</u>	<u>1,598,171</u>	<u>514,948</u>	
Title I										
Passed through Michigan Department of Education										
	Title I Grants to Local Educational Agencies	84.010	161530-1516 171530-1617	2,773,392 2,343,357	922,475 -	1,993,080 -	- -	1,338,385 1,373,528	415,910 1,763,686	- 390,158
	Total Title I		<u>5,116,749</u>	<u>922,475</u>	<u>1,993,080</u>	<u>-</u>	<u>2,711,913</u>	<u>2,179,596</u>	<u>390,158</u>	
Passed through Michigan Department of Education										
	Improving Teacher Quality State Grants	84.367	160520-1516 170520-1617	406,428 245,506	61,496 -	233,945 -	(39) -	151,194 141,008	89,737 193,697	- 52,689
			<u>651,934</u>	<u>61,496</u>	<u>233,945</u>	<u>(39)</u>	<u>292,202</u>	<u>283,434</u>	<u>52,689</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

	Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2014	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2015
Passed Through Intermediate									
School District									
Career and Technical Education - Basic Grants to States									
	84.048	163520-161216	\$ 29,939	\$ 8,648	\$ 26,891	\$ -	\$ 8,648	\$ -	\$ -
		173520-171216	31,011	-	-	-	24,550	31,011	6,461
			<u>60,950</u>	<u>8,648</u>	<u>26,891</u>	<u>-</u>	<u>33,198</u>	<u>31,011</u>	<u>6,461</u>
Passed through Old Dominion University Research Foundation									
Technology-Facilitated Scale Up of a Proven Model of									
Mathematics Instruction in High Need Schools									
	84.411A	14-101-317101	23,550	17,553	17,553	-	17,553	-	-
Total U.S. Department of Education			<u>8,414,796</u>	<u>1,396,610</u>	<u>3,234,910</u>	<u>(39)</u>	<u>4,524,527</u>	<u>4,092,212</u>	<u>964,256</u>
Total Federal Programs			<u>\$ 12,143,674</u>	<u>\$ 1,513,367</u>	<u>\$ 4,974,666</u>	<u>\$ (39)</u>	<u>\$ 6,505,375</u>	<u>\$ 6,081,334</u>	<u>\$ 1,089,287</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

East Detroit Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of East Detroit Public Schools under programs of the federal government for the year ended June 30, 2017. 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 East Detroit Public Schools, it is not intended to and does not present the financial position or changes in fund balances of East Detroit Public 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

East Detroit 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 reported in the financial statements equal the expenditures reported on the SEFA, except for the item below.

Federal expenditures per SEFA	\$ 6,081,334
Unavailable revenue - deferred inflow in the prior year	<u>46,461</u>
Federal revenue per financial statements	<u>\$ 6,127,795</u>

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.

East Detroit Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2017

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

CFDA	Grant Award	Amount received after 6/30/17	Amount per GAR	Amount per SEFA
84.010	171530 1617	\$ 148,590	\$ 1,522,118	\$ 1,373,528
84.367	170520 1617	\$ 6,789	\$ 147,797	\$ 141,008

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

CFDA	Grant Award	Amount received after 6/30/16	Amount per GAR	Amount per SEFA
10.553	161970 1216	\$ 30,666	\$ 56,029	\$ 86,695
10.559	161960 916	\$ 57,084	\$ 116,980	\$ 174,064
84.010	161530 1516	\$ 619,658	\$ 718,727	\$ 1,338,385
84.367	160520 1516	\$ 25,132	\$ 126,062	\$ 151,194

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.

Note 6 – Adjustments

Adjustment to the Schedule of Federal Expenditures are as follows:

- (1) Deobligation of funds

East Detroit Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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

East Detroit Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Identification of major programs:

CFDA Numbers

10.553/10.555/10.559

Name of Federal Program

Child Nutrition 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.

East Detroit Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2017

There were no findings for the year ended June 30, 2016.