

Southgate Community School District

Southgate, Michigan

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

Members of the Board of Education
Southgate Community School District

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 Southgate Community School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Southgate Community School District's basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southgate Community 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southgate Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southgate Community 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 Southgate Community 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.

Yeo & Yeo, P.C.

Southgate, Michigan
October 5, 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 Grant Guidance

Members of the Board of Education
Southgate Community School District

Report on Compliance for Each Major Federal Program

We have audited Southgate Community 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 Southgate Community School District's major federal programs for the year ended June 30, 2017. Southgate Community School District's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southgate Community 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 Southgate Community 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 Southgate Community School District's compliance.

Opinion on Major Federal Programs

In our opinion, Southgate Community 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, 2017.

Report on Internal Control over Compliance

Management of Southgate Community 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 Southgate Community 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 Southgate Community 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 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 Southgate Community School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Southgate Community School District's basic financial statements. We issued our report thereon dated October 5, 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 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.

Southgate, Michigan
October 5, 2017

**Southgate Community School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash provided to Subrecipients
U.S. Department of Education									
Passed Through Michigan Department of Education									
Title I									
	84.010								
Project Number: 161530-1516		\$ 550,705	\$ 494,969	\$ 121,823	\$ -	\$ 145,235	\$ 23,412	\$ -	\$ -
Project Number: 171530-1617		571,493	-	-	-	493,380	547,915	54,535	-
Total Title I				<u>121,823</u>	<u>-</u>	<u>638,615</u>	<u>571,327</u>	<u>54,535</u>	<u>-</u>
Adult Basic Education									
	84.002A								
Project Number: 161120-165387		24,200	18,825	2,473	-	2,473	-	-	-
Project Number: 161130-161387		158,600	157,524	2,808	-	2,808	-	-	-
Project Number: 171120-175387		40,000	-	-	-	18,981	40,000	21,019	-
Project Number: 171130-171387		130,000	-	-	-	91,946	127,626	35,680	-
Total Adult Basic Education				<u>5,281</u>	<u>-</u>	<u>116,208</u>	<u>167,626</u>	<u>56,699</u>	<u>-</u>
Title II Part A									
	84.367								
Project Number: 160520-1516		121,011	105,254	7,398	-	8,084	686	-	-
Project Number: 170520-1617		110,755	-	-	-	91,676	95,455	3,779	-
Total Title II Part A				<u>7,398</u>	<u>-</u>	<u>99,760</u>	<u>96,141</u>	<u>3,779</u>	<u>-</u>
Total Passed Through Michigan Department of Education				<u>134,502</u>	<u>-</u>	<u>854,583</u>	<u>835,094</u>	<u>115,013</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Southgate Community School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash provided to Subrecipients
U.S. Department of Education									
Passed Through Wayne County Regional Educational Service Agency Special Education Cluster									
I.D.E.A. Flowthrough	84.027A								
Project Number: 160450-1516		\$ 1,205,502	\$ 1,205,502	\$ 474,359	\$ -	\$ 474,359	\$ -	\$ -	\$ -
Project Number: 170450-1617		1,228,500	-	-	-	937,342	1,228,500	291,158	-
Low Incidence Center Program									
Project Number: 160450-1516	84.027A	307,749	307,749	93,940	-	93,940	-	-	-
Project Number: 170450-1617		332,640	-	-	-	254,640	332,640	78,000	-
Preschool Incentive									
Project Number: 160460-1516	84.173A	30,400	30,400	9,895	-	9,895	-	-	-
Project Number: 170460-1617		36,417	-	-	-	27,444	36,417	8,973	-
Total Special Education Cluster				<u>578,194</u>	<u>-</u>	<u>1,797,620</u>	<u>1,597,557</u>	<u>378,131</u>	<u>-</u>
Total Passed Through Wayne County Regional Educational Service Agency				<u>578,194</u>	<u>-</u>	<u>1,797,620</u>	<u>1,597,557</u>	<u>378,131</u>	<u>-</u>
Passed Through Huron School District									
Perkins II									
Project Number: 2015/16	84.048	40,511	40,511	21,132	-	21,132	-	-	-
Project Number: 2016/17		42,599	-	-	-	27,504	42,598	15,094	-
Total Passed Through Huron School District				<u>21,132</u>	<u>-</u>	<u>48,636</u>	<u>42,598</u>	<u>15,094</u>	<u>-</u>
Total U.S. Department of Education				<u>733,828</u>	<u>-</u>	<u>2,700,839</u>	<u>2,475,249</u>	<u>508,238</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Southgate Community School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash provided to Subrecipients
U.S. Department of Agriculture									
Nutrition Cluster									
Passed Through Michigan Department of Education									
Non-Cash Assistance									
National School Lunch Program Entitlement Commodities 2016-2017	10.555	\$ 81,024	\$ -	\$ -	\$ -	\$ 81,024	\$ 81,024	\$ -	\$ -
Cash Assistance									
National School Lunch Program	10.555								
Project Number: 161960		626,450	568,492	29,999	-	87,957	57,958	-	-
Project Number: 171960		511,406	-	-	-	481,807	511,406	29,599	-
Total National School Lunch Program				29,999	-	569,764	569,364	29,599	-
National School Breakfast Program	10.553								
Project Number: 161970		115,461	106,241	6,710	-	15,930	9,220	-	-
Project Number: 171970		91,865	-	-	-	85,114	91,865	6,751	-
Total National School Breakfast Program				6,710	-	101,044	101,085	6,751	-
Total Cash Assistance				36,709	-	670,808	670,449	36,350	-
Total Nutrition Cluster				36,709	-	751,832	751,473	36,350	-
Total Passed Through Michigan Department of Education				36,709	-	751,832	751,473	36,350	-
Total U.S. Department of Agriculture				36,709	-	751,832	751,473	36,350	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Southgate Community School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Cash Received/ Payments In Kind	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash provided to Subrecipients
U.S. Department of Health and Human Services									
Passed Through Wayne County Regional Education Service Agency Medicaid Administrative Outreach									
	93.778								
Project Number: 2014/15		\$ 8,588	\$ 8,588	\$ 6,157	\$ -	\$ 6,157	\$ -	\$ -	\$ -
Project Number: 2015/16		8,701				8,701	8,701	-	-
Project Number: 2016/17		2,567	-	-	-	2,567	2,567	-	-
Total U.S. Department of Health and Human Services				6,157	-	17,425	11,268	-	-
U.S. Department of Defense									
R.O.T.C. Program									
	12.002								
2015/2016		67,193	67,193	6,803	-	6,803	-	-	-
2016/2017		68,419	-	-	-	61,549	68,419	6,870	-
Total U.S. Department of Defense				6,803	-	68,352	68,419	6,870	-
Total Expenditures of Federal Awards				\$ 783,497	\$ -	\$ 3,538,448	\$ 3,306,409	\$ 551,458	\$ -

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Southgate Community School District
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 (the Schedule) includes the federal award activity of Southgate Community School District 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 Southgate Community School District, it is not intended to and does not present the financial position or changes in financial position of Southgate Community School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following where applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Southgate Community School District 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

A reconciliation of the federal revenues per the financial statements compared with the schedule of expenditures of federal awards is as follows:

Federal revenues per the financial statements		\$	3,307,385
Nonfederal IDEA transitions mini grant			<u>(976)</u>
Total expenditures of federal awards		\$	<u>3,306,409</u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following timing difference of when the deposit was made

				Amount included in the Schedule of Expenditures of Federal Awards
Grant	Amount included on Grant	Auditor Report	Amount	Federal Awards
161970	\$	9,220	\$	15,930
161960		57,958		87,957

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Southgate Community School District
Schedule of Findings and Questioned Costs
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 weakness(es)? _____ 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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.027A, 84.173A	Special Education Cluster

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

Auditee qualified as low-risk auditee? _____ yes X no

**Southgate Community School District
Schedule of Findings and Questioned Costs
June 30, 2017**

Section II - Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2017.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.

**Southgate Community School District
Summary Schedule of Prior Audit Findings
June 30, 2017**

SECTION IV – PRIOR AUDIT FINDINGS

GOVERNMENT AUDITING STANDARDS FINDINGS

2016-001

Prior Period Adjustment

Finding Type – Material Weakness

Criteria – Michigan Department of Education Bulletin 1022 Michigan Public School Accounting Manual states that financial statements and records should be free of errors that could change the users' overall assessment of the entity's finances.

Condition – A material adjustment was required to remove a long term liability that was previously recorded in the governmental funds.

Cause – Previous to 2016, the settlement of the Act 18 money used in the Center Program was recorded as a liability in the governmental funds. The settlement of this liability does not occur until two years after the year being settled, and therefore is not payable out of current economic resources.

Effect – A prior period adjustment was recorded.

Status – This has been resolved.

FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.