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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 Education  
Troy School District  
Troy, MI

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 Troy School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Troy School District's basic financial statements, and have issued our report thereon dated September 21, 2017.

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

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

Saginaw, MI  
September 21, 2017

## **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 Education  
Troy School District  
Troy, MI

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

We have audited Troy 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 Troy School District's major federal programs for the year ended June 30, 2017. Troy 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Troy 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 Troy 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 qualified and unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Troy School District's compliance.

#### ***Basis for Qualified Opinion on Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, Troy School District did not comply with requirements regarding CFDA #10.553, 10.555 Child Nutrition Cluster, as described in finding number 2017-001 for Program Income. Compliance with such requirements is necessary, in our opinion, for Troy School District to comply with the requirements applicable to that program.

### ***Qualified Opinion on the Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Troy 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 Child Nutrition Cluster for the year ended June 30, 2017.

### ***Unmodified Opinion on Each of the Other Major Federal Program***

In our opinion, Troy 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

Troy School District's response to the noncompliance findings identified in our audit and corrective action plan are described in the accompanying schedule of findings and questioned costs. Troy School District's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

### ***Report on Internal Control Over Compliance***

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

Troy School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Troy School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Troy School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Troy School District's basic financial statements. We issued our report thereon dated September 21, 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.*

Saginaw, MI  
September 21, 2017

**Troy School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Federal Funds/In-kind (Payments) Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through the Michigan Department of Education								
Cash assistance								
Cash in lieu of commodities - 2016-2017	10.555	\$ 227,281	\$ -	\$ -	\$ 227,281	\$ 227,281	\$ -	\$ -
School Breakfast Program - 161970	10.553	85,759	78,144	6,551	14,165	7,614	-	-
School Breakfast Program - 171970		76,477	-	-	76,477	82,242	5,765	-
National School Lunch Program - 161960	10.555	724,992	658,051	42,831	109,772	66,941	-	-
National School Lunch Program - 171960		<u>638,985</u>	<u>-</u>	<u>-</u>	<u>604,528</u>	<u>638,986</u>	<u>34,458</u>	<u>-</u>
Total Child Nutrition Cluster		<u>1,753,494</u>	<u>736,195</u>	<u>49,382</u>	<u>1,032,223</u>	<u>1,023,064</u>	<u>40,223</u>	<u>-</u>
U.S. Department of Labor								
Employment Service Cluster								
Passed through the Oakland County Treasurer								
Employment Service - 7A 2015-2016	17.207	229,242	211,439	54,338	72,140	17,802	-	-
Employment Service - 7A 2016-2017		<u>268,382</u>	<u>-</u>	<u>-</u>	<u>136,865</u>	<u>166,613</u>	<u>29,748</u>	<u>-</u>
Total Employment Service Cluster		<u>497,624</u>	<u>211,439</u>	<u>54,338</u>	<u>209,005</u>	<u>184,415</u>	<u>29,748</u>	<u>-</u>
Passed through the Oakland County Treasurer								
Unemployment Insurance	17.225							
2015-2016		33,322	15,650	3,708	16,451	17,672	4,929	-
2016-2017		<u>44,800</u>	<u>-</u>	<u>-</u>	<u>44,800</u>	<u>44,800</u>	<u>-</u>	<u>-</u>
Total Unemployment Insurance		<u>78,122</u>	<u>15,650</u>	<u>3,708</u>	<u>61,251</u>	<u>62,472</u>	<u>4,929</u>	<u>-</u>
Passed through the Oakland County Treasurer:								
2015-2016 TGAAA - Trade Adjustment Assistance	17.245	78,902	-	-	78,902	78,902	-	-
2016-2017 TGAAA - Trade Adjustment Assistance		60,355	-	-	-	15,940	15,940	-
2016-2017 TAAA - Trade Adjustment Assistance Admin		<u>36,500</u>	<u>-</u>	<u>-</u>	<u>36,500</u>	<u>36,500</u>	<u>-</u>	<u>-</u>
Total Trade Adjustment Assistance		<u>175,757</u>	<u>-</u>	<u>-</u>	<u>115,402</u>	<u>131,342</u>	<u>15,940</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Troy School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Federal Funds/In-kind (Payments) Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
U.S Department of Labor (continued)								
WIOA Cluster								
Passed through the Oakland County Treasurer								
WIOA Adult Program	17.258							
2015-2016 WIOA Adult Program		\$ 351,115	\$ 191,529	\$ 37,821	\$ 148,241	\$ 110,420	\$ -	\$ -
2016-2017 WIOA Adult Program		365,005	-	-	121,927	194,463	72,536	-
2015-2016 WIOA One Stop Operations 29.6%		16,133	6,162	4,328	12,141	9,973	2,160	-
2016-2017 WIOA One Stop Operations 29.6%		16,287	-	-	-	14,231	14,231	-
2015-2016 WIOA Admin Cost Pool 29.6%		8,802	6,700	1,283	2,425	2,622	1,480	-
2016-2017 WIOA Admin Cost Pool 29.6%		7,296	-	-	2,593	2,958	365	-
2016-2017 WIOA Apprenticeship Success Coordinator 29.6%		9,250	-	-	986	1,576	590	-
Total WIOA Adult Activities		<u>773,888</u>	<u>204,391</u>	<u>43,432</u>	<u>288,313</u>	<u>336,243</u>	<u>91,362</u>	<u>-</u>
Passed through the Oakland County Treasurer								
WIOA Youth Activities	17.259							
2015-2016 WIOA Youth Activities		89,952	67,930	3,967	25,991	22,024	-	-
2016-2017 WIOA Youth Activities		75,908	-	-	18,328	30,287	11,959	-
2015-2016 WIOA One Stop Operations 31.6%		17,223	6,578	4,620	12,961	10,647	2,306	-
2016-2017 WIOA One Stop Operations 31.6%		17,387	-	-	-	15,192	15,192	-
2015-2016 WIOA Admin Cost Pool 31.6%		9,397	7,152	1,370	2,589	2,799	1,580	-
2016-2017 WIOA Admin Cost Pool 31.6%		7,789	-	-	2,769	3,158	389	-
2016-2017 WIOA Apprenticeship Success Coordinator 31.6%		9,875	-	-	1,053	1,683	630	-
Total WIOA Youth Activities		<u>227,531</u>	<u>81,660</u>	<u>9,957</u>	<u>63,691</u>	<u>85,790</u>	<u>32,056</u>	<u>-</u>
Passed through the Oakland County Treasurer								
WIOA Dislocated Worker	17.278							
2015-2016 WIOA Dislocated Worker		543,107	359,165	75,933	259,875	183,942	-	-
2016-2017 WIOA Dislocated Worker		356,021	-	-	119,721	178,243	58,522	-
2015-2016 WIOA One Stop Operations 38.8%		21,148	8,077	5,673	15,914	13,073	2,832	-
2016-2017 WIOA One Stop Operations 38.8%		21,349	-	-	-	18,654	18,654	-
2015-2016 WIOA Admin Cost Pool 38.8%		11,539	8,782	1,682	3,179	3,437	1,940	-
2016-2017 WIOA Admin Cost Pool 38.8%		9,563	-	-	3,400	3,878	478	-
2016-2017 WIOA Apprenticeship Success Coordinator 38.8%		12,125	-	-	1,293	2,066	773	-
Total WIOA Dislocated Worker		<u>974,852</u>	<u>376,024</u>	<u>83,288</u>	<u>403,382</u>	<u>403,293</u>	<u>83,199</u>	<u>-</u>
Total WIOA Cluster		<u>1,976,271</u>	<u>662,075</u>	<u>136,677</u>	<u>755,386</u>	<u>825,326</u>	<u>206,617</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**Troy School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Federal Funds/In-kind (Payments) Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
U.S Department of Labor (continued)								
Passed through the Oakland County Treasurer								
2015-2016 WIOA Job Driven National Emergency Grants #2622	17.277	\$ 94,630	\$ 83,080	\$ 57,529	\$ 69,079	\$ 11,550	\$ -	\$ -
2016-2017 WIOA Job Driven National Emergency Grants #2623		11,472	-	-	-	11,472	11,472	-
Total WIA NEG Activities		106,102	83,080	57,529	69,079	23,022	11,472	-
Total U.S. Department of Labor		2,833,876	972,244	252,252	1,210,123	1,226,577	268,706	-
U.S. Department of Education								
Passed through the Michigan Department of Education								
Adult Education	84.002							
Project number 161130 161247		143,000	143,000	15,887	15,887	-	-	-
Project number 171130 171247		110,000	-	-	109,716	109,988	272	-
Project number 161120 165247		18,000	18,000	726	726	-	-	-
Project number 171120 175247		18,000	-	-	18,000	18,000	-	-
Total Adult Education		289,000	161,000	16,613	144,329	127,988	272	-
Passed through the Michigan Department of Education								
Title I Grants to Local Educational Agencies								
Project number 161530 1516	84.010	600,202	452,901	145,779	243,196	97,417	-	-
Project number 171530 1617		548,210	-	-	266,854	365,200	98,346	-
Total Title I Grants to Local Educational Agencies		1,148,412	452,901	145,779	510,050	462,617	98,346	-
Special Education Cluster								
Passed through the Oakland County ISD								
Special Education - Grants to States	84.027							
Project number 160450		1,953,352	1,910,773	514,398	545,529	42,579	11,448	-
Project number 170450		2,127,767	-	-	1,646,706	2,127,768	481,062	-
Total Special Education - Grants to States		4,081,119	1,910,773	514,398	2,192,235	2,170,347	492,510	-
Special Education - Preschool Grants	84.173							
Project number 160460		58,996	58,996	26,831	26,831	-	-	-
Project number 170460		67,502	-	-	51,495	67,309	15,814	-
Total Special Education - Preschool Grants		126,498	58,996	26,831	78,326	67,309	15,814	-
Total Special Education Cluster		4,207,617	1,969,769	541,229	2,270,561	2,237,656	508,324	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Troy School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Program Title/Project Number/Subrecipient Name	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Federal Funds/In-kind (Payments) Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
U.S. Department of Education (continued)								
Passed through the Michigan Department of Education								
English Language Acquisition State Grants - Title III	84.365							
Project number 160580 1516		\$ 224,786	\$ 87,274	\$ 34,622	\$ 94,978	\$ 60,356	\$ -	\$ -
Project number 170580 1617		<u>267,627</u>	<u>-</u>	<u>-</u>	<u>108,781</u>	<u>148,468</u>	<u>39,687</u>	<u>-</u>
Total English Language Acquisition State Grants - Title III		<u>492,413</u>	<u>87,274</u>	<u>34,622</u>	<u>203,759</u>	<u>208,824</u>	<u>39,687</u>	<u>-</u>
Passed through the Michigan Department of Education								
English Language Acquisition State Grants - Immigrant Students	84.365							
Project number 160570 1516		82,113	18,467	18,467	31,433	12,966	-	-
Project number 170570 1617		<u>110,589</u>	<u>-</u>	<u>-</u>	<u>4,486</u>	<u>40,293</u>	<u>35,807</u>	<u>-</u>
Total English Language Acquisition State Grants - Immigrant Students		<u>192,702</u>	<u>18,467</u>	<u>18,467</u>	<u>35,919</u>	<u>53,259</u>	<u>35,807</u>	<u>-</u>
Total English Language Acquisition State Grants		<u>685,115</u>	<u>105,741</u>	<u>53,089</u>	<u>239,678</u>	<u>262,083</u>	<u>75,494</u>	<u>-</u>
Passed through the Michigan Department of Education								
Improving Teacher Quality State Grants	84.367							
Project number 160520 1516		268,756	188,229	69,140	102,491	33,351	-	-
Project number 170520 1617		<u>245,238</u>	<u>-</u>	<u>-</u>	<u>110,748</u>	<u>145,327</u>	<u>34,579</u>	<u>-</u>
Total Improving Teacher Quality State Grants		<u>513,994</u>	<u>188,229</u>	<u>69,140</u>	<u>213,239</u>	<u>178,678</u>	<u>34,579</u>	<u>-</u>
Total U.S. Department of Education		<u>6,844,138</u>	<u>2,877,640</u>	<u>825,850</u>	<u>3,377,857</u>	<u>3,269,022</u>	<u>717,015</u>	<u>-</u>
U.S. Department of Health and Human Services								
Temporary Assistance for Needy Families (TANF) Cluster								
Passed through Oakland County ISD								
Temporary Assistance for Needy Families (TANF)	93.558							
Work First 2015-2016		348,197	213,491	55,590	190,296	134,706	-	-
Work First 2016-2017		<u>331,158</u>	<u>-</u>	<u>-</u>	<u>120,559</u>	<u>168,968</u>	<u>48,409</u>	<u>-</u>
Total Temporary Assistance for Needy Families Cluster		<u>679,355</u>	<u>213,491</u>	<u>55,590</u>	<u>310,855</u>	<u>303,674</u>	<u>48,409</u>	<u>-</u>
Medicaid Outreach Program Cluster								
Passed through Oakland County ISD								
Medical Assistance Program 2016-2017	93.778	<u>12,055</u>	<u>-</u>	<u>-</u>	<u>12,055</u>	<u>12,055</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>691,410</u>	<u>213,491</u>	<u>55,590</u>	<u>322,910</u>	<u>315,729</u>	<u>48,409</u>	<u>-</u>
Total federal awards		<u>\$ 12,122,918</u>	<u>\$ 4,799,570</u>	<u>\$ 1,183,074</u>	<u>\$ 5,943,113</u>	<u>\$ 5,834,392</u>	<u>\$ 1,074,353</u>	<u>\$ -</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Troy School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Troy 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 Troy School District, it is not intended to and does not present the financial position, changes in financial positions of Troy 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 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**

Troy School District has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

**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:

	Per Grant Auditor Report	Per Schedule of Expenditures of Federal Awards	Variance
171970 School Breakfast Program	\$ 82,242	\$ 76,477	\$ 5,765
171960 National School Lunch Program	638,985	604,528	34,457
	<u>\$ 721,227</u>	<u>\$ 681,005</u>	<u>\$ 40,222</u>

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

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

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**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_\_\_ yes                        X   no
- 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?                        X   yes                      \_\_\_\_\_ no
- Significant deficiency(ies) identified                        X   yes                      \_\_\_\_\_ none reported

Type of auditors’ report issued on compliance for major programs:

Child Nutrition Cluster - Qualified  
Special Education Cluster (IDEA) - Unmodified  
WIOA Cluster - Unmodified

Any audit findings disclosed that are required to be reported in accordance with section §200.516(a)?

  X   yes                      \_\_\_\_\_ no

Identification of major programs:

*CFDA Number(s)*

*Name of Federal Program or Cluster*

10.553, 10.555  
84.027, 84.173  
17.258, 17.259, 17.258

Child Nutrition Cluster  
Special Education Cluster (IDEA)  
WIOA Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes                        X   no

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

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**Section II – Government Auditing Standards Findings**

There were no findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards Generally Accepted in the United States of America for the year ended June 30, 2017.

**Sections III – Federal Award Findings**

**Finding 2017-001, 2016-002, 2015-004 – Material Weakness and Material Noncompliance – Program Income**

<b>Program Information:</b>	Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555
<b>Criteria:</b>	The School District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its non-profit school food service per requirements in 7 CFR 210.14 (b)
<b>Condition:</b>	Cash resources and fund equity are in excess of three months' average expenditures.
<b>Questioned Costs:</b>	None
<b>Cause and Effect:</b>	The School District food service program fund balance was in excess of required levels by approximately \$564,000. Nearly half of this excess was spent shortly after year end in accordance with a State approved plan that was required to be met by August 31, 2016.
<b>Recommendation:</b>	We recommend that the School District review its net cash resources throughout the year to verify that they are not in excess of three months of expenditures.
<b>Views of Responsible Officials:</b>	Management agrees with the finding
<b>Corrective Action Plan:</b>	See attached corrective action plan from management.

**Finding 2017-002, 2016-003, 2015-005, 2014-003 – Significant Deficiency and Noncompliance – Eligibility**

<b>Program Information:</b>	Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555
<b>Criteria:</b>	In accordance with Uniform Guidance, the School District is required to determine eligibility based on income levels and family sizes reported on student applications. Federal guidelines provide thresholds to determine if students are eligible for free or reduced lunches.

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

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<b>Condition:</b>	During our testing for eligibility, one application out of 60 selected was approved as eligible for free meals when the income level on the applicant's household indicated that they should have been paying the reduced price.
<b>Questioned Costs:</b>	None
<b>Cause and Effect:</b>	The full amount of income was not reported on the application enabling the application to meet the requirements for free lunch, when the application should have been approved for reduced lunch prices.
<b>Recommendation:</b>	We recommend that the School District implement additional controls to ensure that eligibility status is appropriately determined based on the application submitted.
<b>Views of Responsible Officials:</b>	Management agrees with the finding
<b>Corrective Action Plan:</b>	See attached corrective action plan from management.

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

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**Section IV – Prior Government Auditing Standards Findings**

**Finding 2016-001 - Material Weakness – Prior Period Adjustment**

**Criteria:** Management is responsible for the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

**Status:** Finding has been corrected.

**Section V – Federal Award Findings**

**Finding 2016-002 – Material Weakness and Material Noncompliance – Program Income**

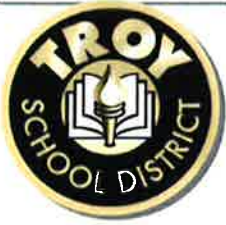
**Criteria:** The School District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its non-profit school food service per requirements in 7 CFR 210.14 (b)

**Status:** Continues to be a comment in current year, see current year finding 2017-001.

**Finding 2016-003 – Significant Deficiency and Noncompliance – Eligibility**

**Criteria:** In accordance with Uniform Guidance, the School District is required to determine eligibility based on income levels and family sizes reported on student applications. Federal guidelines provide thresholds to determine if students are eligible for free or reduced lunches.

**Status:** Continues to be a comment in current year, see current year finding 2017-002.



**Rick West**  
**Assistant Superintendent,**  
**Business Services**

**Stephanie Trotter, Finance**  
**Director, Business Services**

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Finding Number	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
2017-001	Rick West & Gayle Moran	Management agrees with the finding and the recommendation	The District has developed and submitted a plan to MDE to ensure that cash resources are not in excess of three months of expenditures.	June 2018
2017-002	Gayle Moran & Stephanie Trotter	Management agrees with the finding and the recommendation	The District will review each application to ensure that each student's eligibility status is appropriately determined based on the application submitted.	June 2018

