

**School District of the City of  
Dearborn, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2015**

# School District of the City of Dearborn, Michigan

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Report on Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133  
Independent Auditor's Report

To the Board of Education  
School District of the City of  
Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 22, 2015 which contained an unmodified opinion with emphasis of matter related to the implementation of the GASB Statement No. 68 accounting standards and restatement of the beginning of the year debt service fund balance on the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to October 22, 2015.

The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

Auburn Hills, Michigan  
October 22, 2015

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Education  
School District of the City of Dearborn, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2015 and related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 22, 2015. The financial statements of Henry Ford Community College Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District of the City of Dearborn, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, Findings 2015-001 and 2015-002, to be material weaknesses.

To Management and the Board of Education  
School District of the City of Dearborn, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of the City of Dearborn, Michigan's basic 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*.

### **The School District of the City of Dearborn, Michigan's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

Auburn Hills, Michigan  
October 22, 2015

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance  
Independent Auditor's Report

To the Board of Education  
School District of the City of  
Dearborn, Michigan

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

We have audited the School District of the City of Dearborn, Michigan's (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The School District of the City of Dearborn, Michigan'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 the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District of the City of Dearborn, Michigan'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District of the City of Dearborn, Michigan's compliance.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

### ***Opinion on Each Major Federal Program***

In our opinion, the School District of the City of Dearborn, Michigan 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, 2015.

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

Management of the School District of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of the City of Dearborn, Michigan'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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.

To the Board of Education  
School District of the City of  
Dearborn, Michigan

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Morse, PLLC*

Auburn Hills, Michigan  
October 22, 2015



# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>Clusters:</b>								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education: Noncash Assistance (Commodities) -								
Food Distribution Entitlement Commodities 2014-2015	10.555	\$ 353,517	\$ -	\$ -	\$ -	\$ 353,517	\$ 353,517	\$ -
Cash Assistance:								
National School Breakfast Program 2013-14	10.553	936,371	936,371	48,560	-	48,560	-	-
National School Breakfast Program 2014-15	10.553	1,092,879	-	-	-	1,046,484	1,092,879	46,395
National School Lunch Program 2013-14	10.555	4,564,475	4,564,475	208,534	-	208,534	-	-
National School Lunch Program 2014-15	10.555	4,909,356	-	-	-	4,718,043	4,909,356	191,313
National School After School Snack Program 2013-14	10.555	23,755	23,755	606	-	606	-	-
National School After School Snack Program 2014-15	10.555	32,120	-	-	-	31,988	32,120	132
Summer Food Service Program 2015	10.559	31,519	-	-	-	31,519	31,519	-
Total Cash Assistance		11,590,475	5,524,601	257,700	-	6,085,734	6,065,874	237,840
Total Child Nutrition Cluster		11,943,992	5,524,601	257,700	-	6,439,251	6,419,391	237,840
Student Financial Aid Cluster - U.S. Department of Education - Henry Ford Community College:								
Supplemental Educational Opportunity Grant	84.007	486,756	889,891	(50,578)	-	426,988	486,756	9,190
Federal Work Study Program	84.033	624,403	664,238	219,869	-	849,126	624,403	(4,854)
Pell Grant Program	84.063	33,506,976	32,716,296	260,043	-	33,650,427	33,506,976	116,592
Federal Direct Loan Program	84.268	38,906,947	41,102,354	1,696,240	-	38,915,818	38,906,947	1,687,369
Total Student Financial Aid Cluster		73,525,082	75,372,779	2,125,574	-	73,842,359	73,525,082	1,808,297
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:								
IDEA:								
Flowthrough - Project number 140450-1314	84.027	3,082,643	3,082,643	816,855	-	816,855	-	-
Flowthrough - Project number 150450-1415		2,987,406	-	-	-	2,244,642	2,987,406	742,764
Total IDEA Flowthrough		6,070,049	3,082,643	816,855	-	3,061,497	2,987,406	742,764

See Notes to Schedule of Expenditures  
of Federal Awards.

# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
Clusters (Continued):								
Special Education Cluster - U.S. Department of Education (Continued):								
Passed through the Wayne County RESA (Continued):								
Preschool Incentive:								
84.173								
Project number 140460-1314		\$ 130,356	\$ 130,356	\$ 43,126	\$ -	\$ 43,126	\$ -	\$ -
Project number 150460-1415		<u>130,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,380</u>	<u>129,717</u>	<u>37,337</u>
Total Preschool Incentive		<u>260,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,506</u>	<u>129,717</u>	<u>37,337</u>
Total Special Education Cluster		6,330,761	3,082,643	816,855		3,197,003	3,117,123	780,101
Medicaid Outreach Cluster - U.S. Department of Health and Human Services - Passed through Wayne County RESA - 2014-15								
93.778		<u>81,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,930</u>	<u>81,539</u>	<u>15,609</u>
Total cluster programs		91,881,374	83,980,023	3,200,129	-	83,544,543	83,143,135	2,841,847
Other federal awards:								
U.S. Department of Education - Passed through the Michigan Department of Education:								
Adult Education:								
84.002								
Project number 141120-145317		36,000	36,000	2,120	-	2,120	-	-
Project number 141130-141317		<u>340,000</u>	<u>340,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
Total Adult Education		376,000	376,000	17,120	-	17,120	-	-
Title III English Language Acquisition:								
84.365A								
Project number 140570-1314		192,781	39,697	29,483	-	166,777	137,294	-
Project number 150570-1415		<u>189,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,962</u>	<u>34,962</u>
Project number 140580-1314		1,271,382	1,085,839	132,056	-	191,351	59,295	-
Project number 150580-1415		<u>1,076,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,850</u>	<u>981,147</u>	<u>224,297</u>
Total Title III English Language Acquisition		2,729,412	1,125,536	161,539	-	1,114,978	1,212,698	259,259
Title I, Part A								
84.010								
Project number 131530-1213		11,685,752	747,819	-	(3,495)	(3,495)	-	-
Project number 141530-1314		<u>12,513,163</u>	<u>10,271,616</u>	<u>1,483,536</u>	<u>-</u>	<u>2,373,540</u>	<u>890,004</u>	<u>-</u>
Project number 151530-1415		<u>12,087,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,400,715</u>	<u>9,197,307</u>	<u>1,796,592</u>
Total Title I, Part A		36,286,006	11,019,435	1,483,536	(3,495)	9,770,760	10,087,311	1,796,592

See Notes to Schedule of Expenditures  
of Federal Awards.

# School District of the City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	(Deferred) Revenue at July 1, 2014	Adjustments and Transfers	Payments In-kind Received	Expenditures	(Deferred) Revenue at June 30, 2015
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through the Michigan Department of Education (Continued):								
Title II, Part A - Improving Teacher Quality:								
Project number 140520-1314	84.367	\$ 872,631	\$ 676,957	\$ 114,375	\$ -	\$ 156,063	\$ 41,688	\$ -
Project number 150520-1415		<u>969,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,536</u>	<u>686,530</u>	<u>151,994</u>
Total Title II, Part A - Improving Teacher Quality		1,842,060	676,957	114,375	-	690,599	728,218	151,994
Fresh Fruit and Vegetable Program:								
Project number 150950	10.582	<u>57,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,744</u>	<u>57,744</u>	<u>-</u>
Total noncluster programs passed through the Michigan Department of Education		41,291,222	13,197,928	1,776,570	(3,495)	11,651,201	12,085,971	2,207,845
U.S. Department of Education:								
Passed through Wayne County RESA - Education Act - Vocational Education - Basic Grants to States - Carl D. Perkins Vocational Education Act:								
Vocational Education - Basic Grants to States:								
Project number 143520-141225	84.048A	184,517	184,517	79,824	-	79,824	-	-
Project number 153520-151225		<u>187,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,439</u>	<u>187,726</u>	<u>74,287</u>
Henry Ford Community College:								
Project number 1325-8 - Local Administration	84.048A	18,400	18,400	-	-	18,400	18,400	-
Project number 1321-8- Regional Allocation		1,203,254	966,488	(92,649)	-	1,110,605	1,203,254	-
CAP Leadership Project # 1124-8		<u>-</u>	<u>6,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncluster programs passed through Wayne County Service Agency		<u>1,593,897</u>	<u>1,175,655</u>	<u>(12,825)</u>	<u>-</u>	<u>1,322,268</u>	<u>1,409,380</u>	<u>74,287</u>
Total other U.S. Department of Education noncluster programs		<u>1,593,897</u>	<u>1,175,655</u>	<u>(12,825)</u>	<u>-</u>	<u>1,322,268</u>	<u>1,409,380</u>	<u>74,287</u>
U.S. Department of Labor Employment and Training Administration								
M-SAMC Multi-State Advanced Manuf. Consortium	17.282	4,797,700	4,824,251	1,357,442	-	5,136,157	4,797,700	1,018,985
Passed through United Way of Southeastern Michigan								
Green Jobs Innovation	17.279	<u>-</u>	<u>30,699</u>	<u>399</u>	<u>-</u>	<u>399</u>	<u>-</u>	<u>-</u>
Total noncluster programs		<u>47,682,819</u>	<u>19,228,533</u>	<u>3,121,586</u>	<u>(3,495)</u>	<u>18,110,025</u>	<u>18,293,051</u>	<u>3,301,117</u>
Total federal awards		<u>\$ 139,564,193</u>	<u>\$ 103,208,556</u>	<u>\$ 6,321,715</u>	<u>\$ (3,495)</u>	<u>\$ 101,654,568</u>	<u>\$ 101,436,186</u>	<u>\$ 6,142,964</u>

See Notes to Schedule of Expenditures  
of Federal Awards.

# School District of the City of Dearborn, Michigan

## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 63,799,493
Student loan programs, which are excluded from federal revenue	38,906,947
Federal funds not subject to single audit - Build America Bond subsidy	(465,310)
Federal funds not subject to single audit - Qualified School Construction Bond subsidy	(742,800)
Other adjustments	<u>(62,144)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 101,436,186</u></u>

# **School District of the City of Dearborn, Michigan**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015**

### **Note 1 - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the School District of the City of Dearborn, Michigan under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87 and A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the School District of the City of Dearborn, Michigan, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of the School District of the City of Dearborn, Michigan. Pass-through entity identifying numbers are presented where available.

### **Note 2 - Grant Auditor Report**

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

### **Note 3 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### **Note 4 - Adjustments and Transfers**

During the year ended June 30, 2015, \$3,495 of prior year Title I expenditures were determined to be disallowed and were recaptured by the grantor.

# School District of the City of Dearborn, Michigan

## Notes to Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

### Note 5 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Multi State Advanced Manufacturing Consortium - Passed through to Alamo Community College	17.282	\$ 168,857
Multi State Advanced Manufacturing Consortium - Passed through to Bluegrass Community College	17.282	(103,207)
Multi State Advanced Manufacturing Consortium - Passed through to Bridgemont Community College	17.282	185,146
Multi State Advanced Manufacturing Consortium - Passed through to Danville Community College	17.282	278,295
Multi State Advanced Manufacturing Consortium - Passed through to Gasden State Community	17.282	169,793
Multi State Advanced Manufacturing Consortium - Passed through to James A. Rhodes State College	17.282	330,689
Multi State Advanced Manufacturing Consortium - Passed through to Jefferson Community College	17.282	222,291
Multi State Advanced Manufacturing Consortium - Passed through to Oakland Community College	17.282	120,346
Multi State Advanced Manufacturing Consortium - Passed through to Pellissippi State Community	17.282	295,599
Multi State Advanced Manufacturing Consortium - Passed through to Rocky Valley College	17.282	189,312
Multi State Advanced Manufacturing Consortium - Passed through to Spartanburg Community College	17.282	131,224
Multi State Advanced Manufacturing Consortium - Passed through to Tennessee Technology	17.282	238,953
	Total	<u>\$ 2,227,298</u>

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  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 Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
17.282	Trade Adjustment Assistance Community College and Career Training Grant

Dollar threshold used to distinguish between type A and type B programs: \$837,333

Auditee qualified as low-risk auditee?  Yes  No

# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2015-001	<p><b>Finding Type</b> - Material Weakness</p> <p><b>Criteria</b> - The School District's internal control structure should ensure that accounting data is properly calculated and reported in accordance with generally accepted accounting principles.</p> <p><b>Condition</b> - The School District included purchases in the accounts payable balance at year end for items that had been ordered but not been received as of June 30, 2015. The School District is required to ensure that items are recorded within the correct fiscal year and that proper cut-off procedures are performed. Also, the School District should not record expenditures for the purchase of goods until the goods are received or until title transfers to the School District.</p> <p><b>Context</b> - Audit adjustments were made to the 2014 Capital Projects Fund to decrease accounts payable by amounts for items not yet received at June 30, 2015.</p> <p><b>Cause</b> - The personnel performing the accounts payable cut-off procedures misunderstood the rules for inclusion/exclusion of balances from the accounts payable balance based on the timing of when goods are received.</p> <p><b>Effect</b> - Errors identified with the accounts payable balance totaled \$1,363,416, which resulted in the accounts payable balance and related expenditures being overstated by this amount. These errors were fully corrected by the School District and ending amounts were properly stated as of June 30, 2015.</p> <p><b>Recommendation</b> - We recommend that the School District put proper cut-off procedures in place relating to the timing of when goods are received to ensure that all expenditures are recorded in the proper fiscal year.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The School District has taken the auditor's recommendation into consideration and will take the necessary actions to ensure the issue does not occur again.</p>



# School District of the City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-002	<p><b>Finding Type</b> - Material Weakness</p> <p><b>Criteria</b> - During the year, the School District did not correctly record debt service fund expenditures and assets for amounts in escrow.</p> <p><b>Condition</b> - The School District did not adjust account balances for restricted assets of the Debt Service Fund and related principal amounts paid on outstanding bonds.</p> <p><b>Context</b> - Audit adjustments were made to the Debt Service Fund to record the bond principal expenditures and restricted assets accurately as of June 30, 2015. The beginning of the year debt service fund balance was restated to reflect proper levels at July 1, 2014.</p> <p><b>Cause</b> - Key processes were not in place related to recordkeeping of amounts in restricted asset accounts.</p> <p><b>Effect</b> - The School District did not record restricted assets in prior years resulting in a \$995,000 restatement of prior year debt service fund balances and additional debt service expenditures of \$3,575,000.</p> <p><b>Recommendation</b> - We recommend the P12 implement procedures to ensure proper recordkeeping is performed and restricted asset activity is considered.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The School District has taken the auditor's recommendation into consideration and will take the necessary actions to ensure the issue does not occur again.</p>

### Section III - Federal Program Audit Findings

None

# School District of the City of Dearborn, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2014-001		The P12 did not have a process in place to evaluate what portion of capital projects that began before year end and were completed after year end should be included in the June 30, 2014 expenditures.	Fully corrected	Not applicable
2014-002	Title I, Part A	The P12 failed to maintain certifications on a semi-annual basis for one teacher who had 100 percent of the teacher's time charged to Title I.	Fully corrected	Not applicable