

The Dearborn Academy

**Federal Awards
Supplemental Information
June 30, 2016**

Dearborn

The Dearborn Academy

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

Independent Auditor's Report

To the Board of Directors
The Dearborn Academy

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy (the "Academy") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated October 25, 2016, which contained an unmodified opinion 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 financial statements subsequent to October 25, 2016.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 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 financial statements or to the 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 financial statements as a whole.

October 25, 2016

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 Directors
The Dearborn Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy (the "Academy") as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Dearborn Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 The Dearborn Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 25, 2016

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
The Dearborn Academy

Report on Compliance for Each Major Federal Program

We have audited The Dearborn Academy's (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The Dearborn Academy's major federal program is 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 its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Dearborn Academy'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* (the "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 The Dearborn Academy'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 Dearborn Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, The Dearborn Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of The Dearborn Academy 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 Dearborn Academy'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 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 the Academy'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The Dearborn Academy's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Dearborn Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

October 25, 2016

Draft

The Dearborn Academy

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Total amount provided to Subrecipients
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash assistance:										
National School Lunch Program Entitlement commodities	N/A	10.555	\$ 25,332	\$ -	\$ -	\$ -	\$ 25,332	\$ 25,332	\$ -	\$ -
Cash assistance:										
National School Lunch Program 2014-15	151960/151980	10.555	246,956	246,956	16,898	-	16,898	-	-	-
National School Lunch Program 2015-16	161960/161980	10.555	237,117	-	-	-	226,631	237,117	10,486	-
Total National School Lunch Program (incl. commodities)			509,405	246,956	16,898	-	268,861	262,449	10,486	-
National School Breakfast Program 2014-15	151970	10.553	107,033	107,033	7,340	-	7,340	-	-	-
National School Breakfast Program 2015-16	161970	10.553	100,211	-	-	-	94,786	100,211	5,425	-
Total National School Breakfast Program			207,244	107,033	7,340	-	102,126	100,211	5,425	-
Total Child Nutrition Cluster			716,649	353,989	24,238	-	370,987	362,660	15,911	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA-IDEA, Part B:										
IDEA Flowthrough 1415	150450-1415	84.027	80,908	80,908	15,768	-	15,768	-	-	-
IDEA Flowthrough 1516	160450-1516	84.027	77,052	-	-	-	64,984	77,052	12,068	-
Total Special Education Cluster			157,960	80,908	15,768	-	80,752	77,052	12,068	-
Other federal awards:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Child and Adult Care Food Service Program 2014-15	152010	10.558	33,058	33,058	9,691	-	9,691	-	-	-
Child and Adult Care Food Service Program 2015-16	162010	10.558	24,393	-	-	-	24,393	24,393	-	-
Total Child and Adult Care Food Service Program			57,451	33,058	9,691	-	34,084	24,393	-	-

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Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memorandum Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Total amount provided to Subrecipients
U.S. Department of Education - Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1415	151530	84.010	501,889	501,889	113,169	(27,727)	85,442	-	-	-
Title I Part A 1516	161530	84.010	477,974	-	-	-	342,593	413,125	70,532	-
Total Title I			979,863	501,889	113,169	(27,727)	428,035	413,125	70,532	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 1415	150520	84.367	100,125	100,125	48,283	-	48,283	-	-	-
Title II Part A 1516	160520	84.367	62,757	-	-	-	52,484	52,624	140	-
Total Title II - Improving Teacher Quality			162,882	100,125	48,283	-	100,767	52,624	140	-
Title III - Limited English Proficient Students Grant:										
Title III - Limited English Proficient Students 1415	150580	84.365	31,577	14,449	5,886	-	23,014	17,128	-	-
Title III - Limited English Proficient Students 1516	160580	84.365	35,256	-	-	-	15,345	16,085	740	-
Total Title III - Limited English Proficient Students Grant			66,833	14,449	5,886	-	38,359	33,213	740	-
Title III - Immigrant Students Grant:										
Title III - Immigrant Students 1415	150570	84.365	13,014	2,229	869	-	1,376	507	-	-
Title III - Immigrant Students 1516	160570	84.365	22,636	-	-	-	2,965	5,649	2,684	-
Total Title III - Immigrant Students Grant			35,650	2,229	869	-	4,341	6,156	2,684	-
Title III - Part A Supplemental Funds for Immigrant Students Grant:	160590	84.365B	98	-	-	-	-	98	98	-
Total Title III			102,581	16,678	6,755	-	42,700	39,467	3,522	-
Fresh Fruit and Vegetable Program 1516:	150950	10.582	24,177	24,177	1,399	-	1,399	-	-	-
Total noncluster programs passed through the Michigan Department of Education			1,326,954	675,927	179,297	(27,727)	606,985	529,609	74,194	-
Total federal awards			\$ 2,201,563	\$ 1,110,824	\$ 219,303	\$ (27,727)	\$ 1,058,724	\$ 969,321	\$ 102,173	\$ -

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Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Dearborn Academy under programs of the federal government for the year ended June 30, 2016. 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The Dearborn Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Dearborn Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Dearborn Academy has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - 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 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Note 5 - Adjustments and Transfers

During the year ended June 30, 2016, an adjustment of \$27,727 was made for Title I, Part A grant funds that were transferred from the 2014-15 grant to the 2015-16 grant. The transfer was a result of certain costs charged to the 2014-15 grant being disallowed after the June 30, 2015 Schedule of Expenditures of Federal Awards was issued.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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 2 CFR 200.516 (a)?

Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A

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

Auditee qualified as low-risk auditee? Yes No

The Dearborn Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section II - Financial Statement Audit Findings

None

Draft

The Dearborn Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-001	<p>CFDA number, Federal agency and Program Name - Title I, Part A - CFDA #84.010</p> <p>Federal award identification number and year - 161530- 2015-2016</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Significant Deficiency</p> <p>Repeat finding - No</p> <p>Criteria - The allowable costs principals compliance requirement of the grant requires that the Academy maintain documentation for salaries and wages charged to the grant in accordance with CFR 200.430, which states documentation must reasonably reflect the total activity for which the employee is compensated, encompass both federally assisted and all other activities compensated on an integrated basis, and support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award or splits time between federal and non-federal activities.</p> <p>Condition - The Academy was unable to provide documentation that meets the aforementioned criteria by documenting allocation of 100 percent of employee time incurred; however, the Academy was able to provide adequate alternative documentation to support the actual time charged to the grant.</p> <p>Questioned Costs - None</p> <p>Identification of how questioned costs were computed - N/A</p>

The Dearborn Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Context - Of the four employees selected for testing, two of the individuals had semi-annual certifications prepared that certified less than 100% of their time for Title I activities. The employees prepared personal activity reports (PARS) for the periods in which they worked on multiple cost objectives. Although documentation was provided to support the salaries and wages charged to the grant, documentation was not prepared in accordance with the regulations stipulated above for employees working on multiple cost objectives.

Cause and Effect - The Academy does not have proper controls in place to ensure that adequate documentation is completed and maintained for employees funded with federal grants. This lack of control is caused by a misunderstanding of the time and effort documentation compliance requirements.

Recommendation - The Academy should review and implement procedures to ensure that documentation is produced and retained in accordance with grant requirements for salaries and wages charged to grants. Certifications should be obtained for staff whose time is 100% funded by grants, and personnel activity reports should be maintained for all time periods for staff not fully working in a single grant cost objective.

Views of Responsible Officials and Planned Corrective Actions - The Academy will review and implement procedures to ensure that all required compliance requirements of grants are followed, and that proper supporting documentation is maintained for all salaries and wages charged to federal grants.

The Dearborn Academy

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

<u>Prior year Finding Number</u>	<u>Fiscal year in which the finding initially occurred</u>	<u>Federal Program, CFDA Number and Name</u>	<u>Original Finding Description</u>	<u>Status/Partial corrective action (as applicable)</u>	<u>Planned Corrective Action (if finding not corrected)</u>
2015-001	2015	Title I, Part A, CFDA #84.010	The Academy incurred expenditures prior to the period of performance as defined in the grant agreement.	Fully corrected	N/A