

# **The Dearborn Academy**

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**Federal Awards  
Supplemental Information  
June 30, 2017**

# 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, 2017, 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, 2017, which contained unmodified opinions on the financial statements of the Academy. 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, 2017.

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.

*Plante & Moran, PLLC*

October 25, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 25, 2017.

**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.

To Management and the Board of Directors  
The Dearborn Academy

### **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.

*Plante & Moran, PLLC*

October 25, 2017

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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.

To the Board of Directors  
The Dearborn Academy

### ***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, 2017.

### **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 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 the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

The Dearborn Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and 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 it.

To the Board of Directors  
The Dearborn Academy

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.

*Plante & Moran, PLLC*

October 25, 2017

# The Dearborn Academy

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memorandum Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2017	Total Amount Provided to Subrecipients
<b>Clusters:</b>										
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	\$ 26,419	\$ -	\$ -	\$ -	\$ 26,419	\$ 26,419	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2015-16	161960/161680	10.555	237,117	237,117	10,486	-	10,486	-	-	-
National School Lunch Program 2016-17	171960/171680	10.555	253,328	-	-	-	240,200	253,328	13,128	-
Total National School Lunch Program (incl. commodities)			516,864	237,117	10,486	-	277,105	279,747	13,128	-
National School Breakfast Program 2015-16	161970	10.553	100,211	100,211	5,425	-	5,425	-	-	-
National School Breakfast Program 2016-17	171970	10.553	107,151	-	-	-	101,547	107,151	5,604	-
Total National School Breakfast Program			207,362	100,211	5,425	-	106,972	107,151	5,604	-
Total Child Nutrition Cluster			724,226	337,328	15,911	-	384,077	386,898	18,732	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA-IDEA, Part B:										
IDEA Flowthrough 2015-2016	160450-1516	84.027	77,052	77,052	12,068	-	12,068	-	-	-
IDEA Flowthrough 2016-2017	170450-1617	84.027	72,386	-	-	-	70,003	72,386	2,383	-
Total Special Education Cluster			149,438	77,052	12,068	-	82,071	72,386	2,383	-
Other federal awards:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education -										
Child and Adult Care Food Service Program 2016-17	171920/172010	10.558	35,805	-	-	-	35,500	35,805	305	-

# The Dearborn Academy

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2017

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memorandum Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2017	Total Amount Provided to Subrecipients
Other federal awards (continued):										
U.S. Department of Education - Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1516	161530	84.010	\$ 477,974	\$ 413,125	\$ 70,532	\$ -	\$ 99,868	\$ 29,336	\$ -	\$ -
Title I Part A 1617	171530	84.010	463,247	-	-	-	291,512	397,376	105,864	-
Total Title I Part A			941,221	413,125	70,532	-	391,380	426,712	105,864	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 1516	160520	84.367	62,757	52,624	140	-	4,865	4,725	-	-
Title II Part A 1617	170520	84.367	66,838	-	-	-	47,979	51,554	3,575	-
Total Title II Part A - Improving Teacher Quality			129,595	52,624	140	-	52,844	56,279	3,575	-
Title III - Limited English Proficient Students Grant:										
Title III - Limited English Proficient Students 1516	160580	84.365	35,256	16,085	740	-	17,713	16,973	-	-
Title III - Limited English Proficient Students 1617	170580	84.365	34,259	-	-	-	14,620	34,259	19,639	-
Total Title III - Limited English Proficient Students Grant			69,515	16,085	740	-	32,333	51,232	19,639	-
Title III - Immigrant Students Grant:										
Title III - Immigrant Students 1516	160570	84.365	22,636	5,649	2,684	-	13,302	10,618	-	-
Title III - Immigrant Students 1617	170570	84.365	18,227	-	-	-	15,026	15,724	698	-
Total Title III - Immigrant Students Grant			40,863	5,649	2,684	-	28,328	26,342	698	-
Title III - Part A Supplemental Funds for Immigrant Students Grant										
Title III - Part A Supplemental Funds for Immigrant Students Grant	160590	84.365B	98	98	98	-	98	-	-	-
Total Title III			110,476	21,832	3,522	-	60,759	77,574	20,337	-
Total noncluster programs passed through the Michigan Department of Education			1,181,292	487,581	74,194	-	504,983	560,565	129,776	-
Total federal awards			<u>\$ 2,090,761</u>	<u>\$ 901,961</u>	<u>\$ 102,173</u>	<u>\$ -</u>	<u>\$ 1,006,631</u>	<u>\$ 1,055,654</u>	<u>\$ 151,196</u>	<u>\$ -</u>

# The Dearborn Academy

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

### **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, 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* (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 modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the Uniform Guidance, 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 elected not 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. The grantee received no noncash assistance during the year ended June 30, 2017 that is not included on the schedule of expenditures for federal awards.

# The Dearborn Academy

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

### 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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

### Section II - Financial Statement Audit Findings

None

# The Dearborn Academy

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

### Section III - Federal Program Audit Findings

Reference Number	Finding
Finding 2017-001	<p><b>CFDA Number, Federal Agency and Program Name</b> - CFDA 84.010 - Title I, Part A</p> <p><b>Federal Award Identification Number and Year</b> - 171530 - 2016-2017</p> <p><b>Pass-through Entity</b> - Michigan Department of Education</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - The period of performance compliance requirement (CFR 200.309) of the grant requires allowable costs charged to the grant to be incurred during the grant's period of performance.</p> <p><b>Condition</b> - The Academy charged expenditures to the grant that were incurred prior to the grant's period of performance. This condition existed during the Academy's fiscal year ended June 30, 2015 (Finding 2015-001).</p> <p><b>Questioned Costs</b> - Less than \$25,000</p> <p><b>Identification of How Questioned Costs Were Computed</b> - The questioned costs were calculated using payroll information for pay periods charged to the grant that included salaries and wages earned by employees prior to the grant's period of performance.</p> <p><b>Context</b> - Two pay periods that included salaries and wages earned by employees prior to the period of performance were charged to the grant. Aside from the timing of when the salaries and wages were earned, the expenditures would otherwise be considered allowable under the grant.</p> <p><b>Cause and Effect</b> - The Academy's consolidated application was not approved by the Michigan Department of Education until November 4, 2016. The Academy did not have proper controls in place to ensure expenditures charged to the grant were incurred within the period of performance.</p> <p><b>Recommendation</b> - The Academy should review and implement procedures to ensure that the consolidated application is submitted timely and that expenditures charged to grants are incurred within the grant period of performance.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Going forward, the Academy will perform a more thorough review of grant award notifications to ensure grant expenditures charged to federal grants are incurred in the grant period of performance.</p>