Southfield Public Schools

Federal Awards
Supplemental Information
June 30, 2017

Southfield Public Schools

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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 Education
Southfield Public Schools

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Public Schools (the "School District") as of and for the year ended June 30, 2017, 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 4, 2017, which contained unmodified opinions on the financial statements of the School District. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 4, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 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

October 4, 2017

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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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 Auditor's Report

To Management and the Board of Education
Southfield Public Schools

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 Southfield Public Schools (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southfield Public Schools' 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.

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. 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To Management and the Board of Education
Southfield Public Schools

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southfield Public Schools' 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*.

Southfield Public Schools' Response to Finding

Southfield Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southfield Public Schools' 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

October 4, 2017

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

Independent Auditor's Report

To the Board of Education
Southfield Public Schools

Report on Compliance for Each Major Federal Program

We have audited Southfield Public Schools' (the "School District") 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. Southfield Public Schools' 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 Southfield Public Schools' 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 Southfield Public Schools' 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 Southfield Public Schools' compliance.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Education
Southfield Public Schools

Opinion on Each Major Federal Program

In our opinion, Southfield Public Schools 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 Southfield Public Schools 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 Southfield Public Schools' 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 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.

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 4, 2017

Southfield Public Schools

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

Program Title/Project Number/Subrecipient Name	CFDA Number	Award/Project Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash assistance -										
Entitlement Commodities FY17	10.555	N/A	$ 195,733	$ -	$ -	$ -	$ 195,733	$ 195,733	$ -	$ -
Cash assistance:										
National School Lunch Program - 2015-16	10.555	161960	1,317,593	1,317,593	236,439	-	236,439	-	-	-
National School Lunch Program - 2016-17	10.555	171960	1,216,715	-	-	-	1,152,417	1,216,715	64,298	-
Total National School Lunch Program	10.555		2,730,041	1,317,593	236,439	-	1,584,589	1,412,448	64,298	-
National School Breakfast Program - 2015-16	10.553	161970	331,080	331,080	66,992	-	66,992	-	-	-
National School Breakfast Program - 2016-17	10.553	171970	288,855	-	-	-	272,035	288,855	16,820	-
Total National School Breakfast Program	10.553		619,935	331,080	66,992	-	339,027	288,855	16,820	
National Summer School Food Service Program 2015-16	10.559	160900/161900	22,076	22,076	2,998	-	2,998	-	-	-
National Summer School Food Service Program 2016-17	10.559	170900/171900	24,201	-	-	-	18,455	24,201	5,746	-
Total National Summer School Food Service Program	10.559		46,277	22,076	2,998	-	21,453	24,201	5,746	-
Total Child Nutrition Cluster			3,396,253	1,670,749	306,429	-	1,945,069	1,725,504	86,864	-
Special Education Cluster:										
U.S. Department of Education - Passed through the Oakland County ISD:										
IDEA, Part B Flowthrough:										
Project number 160450	84.027	160450	1,682,201	1,373,359	318,482	-	525,401	279,385	72,466	-
Project number 170450	84.027	170450	1,636,604	-	-	-	1,199,044	1,558,472	359,429	-
Subtotal - IDEA Part B Flowthrough	84.027		3,318,805	1,373,359	318,482	-	1,724,445	1,837,857	431,895	-
IDEA Preschool:										
2015-16 Project number 160460	84.173	160460	45,007	44,108	10,918	-	11,817	899	-	-
2016-17 Project number 170460	84.173	170460	52,093	-	-	-	34,275	52,092	17,817	-
Subtotal - IDEA Preschool	84.173		97,100	44,108	10,918	-	46,092	52,991	17,817	-
Total Special Education Cluster			3,415,905	1,417,467	329,400	-	1,770,536	1,890,848	449,712	-
Medicaid Cluster - Michigan Dept of Community Health										
Passed through Oakland County ISD-Medicaid Outreach	93.778	16-17	23,588	-	-	-	23,588	23,588	-	-
Total Clusters			6,835,746	3,088,216	635,829	-	3,739,193	3,639,940	536,576	-

See Notes to Schedule of Expenditures of Federal Awards.

Southfield Public Schools

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

Program Title/Project Number/Subrecipient Name	CFDA Number	Award/Project Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipients
Other federal awards:										
U.S. Department of Education - Passed through Michigan Department of Education:										
Title I, Part A:										
Project number 161530-1516	84.010	161530	$ 2,057,224	$ 1,664,386	$ 381,643	$ -	$ 469,210	$ 87,567	$ -	$ -
Project number 171530-1617	84.010	171530	2,094,510	-	-	-	1,214,263	1,552,670	338,407	-
Total Title I, Part A	84.010		4,151,734	1,664,386	381,643	-	1,683,473	1,640,237	338,407	-
Title III:										
Project number -160570-1516	84.365	160570	13,706	8,579	7,609	-	7,967	358	-	-
Project number -160580-1516	84.365	160580	43,134	24,338	2,712	-	3,618	906	-	-
Project number -170570-1617	84.365	170570	21,043	-	-	-	-	12,606	12,606	-
Project number -170580-1617	84.365	170580	47,688	-	-	-	16,713	32,198	15,485	-
Total Title III	84.365		125,571	32,917	10,321	-	28,298	46,068	28,091	-
Title II Part A:										
Project number -160520-1516	84.367	160520	435,327	266,542	58,847	-	115,531	56,684	-	-
Project number -170520-1617	84.367	170520	428,628	-	-	-	85,812	98,020	12,208	-
Total Title II Part A	84.367		863,955	266,542	58,847	-	201,343	154,704	12,208	-
U.S. Department of Agriculture - Passed through Michigan Department of Education - Child Care Food Program:										
CACFP - 15-16	10.558	161920/162010	135,135	135,135	196	-	196	-	-	-
CACFP - 16-17	10.558	161920/172010	171,129	-	-	-	171,129	171,129	-	-
Total Child Care Food Program	10.558		306,264	135,135	196	-	171,325	171,129	-	-
Direct Program - U.S. Department of Health and Human Services Head Start:										
Project number 05CH8409-000-1516	93.600	05CH8409-000-1516	1,320,294	1,253,689	146,940	-	213,545	66,605	-	-
Project number 05CH8409-000-1617	93.600	05CH8409-000-1617	1,343,681	-	-	-	1,188,848	1,343,681	154,833	-
Total Head Start Cluster	93.600		2,663,975	1,253,689	146,940	-	1,402,393	1,410,286	154,833	-
Grand total - Federal awards			**$ 14,947,245**	**$ 6,440,885**	**$ 1,233,776**	**$ -**	**$ 7,226,025**	**$ 7,062,364**	**$ 1,070,115**	**$ -**

See Notes to Schedule of Expenditures of Federal Awards.

Southfield Public Schools

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 Southfield Public Schools (the "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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Southfield Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southfield Public Schools.

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 School District 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.

Southfield Public Schools

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ 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 __X__ 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? __X__ Yes ____ No

Section II – Financial Statement Audit Findings

Reference Number	Finding
2017-001	**Finding Type** - Significant deficiency

Criteria - The School District's internal control structure should ensure that the books and records are closed in a timely manner and that balance sheet accounts are reconciled, supported, and independently reviewed.

Condition - The School District's books and records for the 2017 fiscal year were not accurately reconciled and closed in a timely manner. As a result, several balances were identified by either the School District or as part of the audit process to be inaccurately recorded. The auditors identified and proposed certain adjustments (which were approved and posted by management) to adjust the School District's general ledger to reflect the appropriate balances.

Context - Aggregate adjustments and reclassifications impacting the School District's governmental fund financial statements that were identified as a result of audit procedures and recorded by management are as follows:

Several adjustments were made to property tax revenue and related receivables, which totaled approximately $30,000 on a net basis.

A reclassification between accounts payable and cash balances totaled approximately $624,000.

Management also identified and made several correcting entries during the audit process. The most significant of these adjustments, which totaled approximately $271,000, was made to correct employee benefit expense and the related payable.

Additionally, there were proposed adjustments identified during audit procedures that were not recorded by the School District due to management's belief that the proposed adjustments are immaterial to the particular classes of transactions, account balances, and disclosures to which they relate, and to the School District's financial statements, both individually and in aggregate.

Cause - Adjustments proposed by the auditors resulted from lack of independent review of account reconciliations. In addition, accounting software changes during the current and previous fiscal years, lack of personnel resources and time capacity, and insufficient flow of information between the finance, human resources, and other support functions contributed to the School District not being able to adequately close its books prior to commencement of the audit.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2017-001 (Con't)	**Effect** - The School District did not have sufficient time, resources, or information available to adequately review account reconciliations during the closing process. As a result, the aforementioned balances were not adjusted or independently reviewed prior to the commencement of audit procedures. **Recommendation** - We recommend that the School District assess and revise its control processes and allocation of resources in order to ensure proper and timely closing of its accounting books and records. **Views of Responsible Officials and Planned Corrective Actions** - The School District has a plan in place to correct the condition. The Leadership Team of Southfield Public Schools will be responsible for implementation and includes the superintendent, the associate superintendent for administrative services, the associate superintendent of human resources, the associate superintendent for curriculum, the director of special education, and the director of operations and their attendant direct reports. The plan includes reassessing the staff, structure, and skill levels in the business office to obtain the additional needed support after exploring alternatives. Alternatives may include hiring additional staff, entering into an interagency agreement with Oakland ISD, or contracting services on an as-needed basis. Strategically, identifying and securing the additional human resources identified will support administrative services and enable the School District to make operable and efficient the procedures and internal controls that are currently in place. The intent is to identify the proper course as soon as practicable and secure the necessary human resources to support it. If needed, services will be contracted for the preparation of the June 30, 2018 audit.

Section III - Federal Program Audit Findings

None