

Warren Consolidated Schools

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

Warren Consolidated Schools

Contents

Independent Auditor's Reports:

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	4-5
Schedule of Expenditures of Federal Awards	6-8
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-13

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

Independent Auditor's Report

To the Board of Education
Warren Consolidated Schools

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Consolidated 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 18, 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 statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 18, 2017.

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 the Uniform Guidance, 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 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 financial statements as a whole.

Plante & Moran, PLLC

October 18, 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 Education
Warren Consolidated 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 Warren Consolidated 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 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren Consolidated 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.

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.

To Management and the Board of Education
Warren Consolidated Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren Consolidated 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*.

Warren Consolidated Schools' Response to Finding

Warren Consolidated Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Warren Consolidated 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 18, 2017

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

Independent Auditor's Report

To the Board of Education
Warren Consolidated Schools

Report on Compliance for Each Major Federal Program

We have audited Warren Consolidated 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 each of its major federal programs for the year ended June 30, 2017. Warren Consolidated Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Warren Consolidated 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 Warren Consolidated 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 Warren Consolidated Schools' compliance.

To the Board of Education
Warren Consolidated Schools

Opinion on Each Major Federal Program

In our opinion, Warren Consolidated Schools 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, 2017.

Report on Internal Control Over Compliance

Management of Warren Consolidated 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 Warren Consolidated 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 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 18, 2017

Warren Consolidated Schools

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

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash assistance - National School Lunch Program										
Entitlement commodities	NA	10.555	\$ 462,609	\$ -	\$ -	\$ -	\$ 462,609	\$ 462,609	\$ -	\$ -
Cash assistance:										
National School Lunch Program 2015-16	161960 161980	10.555	3,305,129	3,305,129	209,870	-	209,870	-	-	-
National School Lunch Program 2016-17	171960 171980	10.555	<u>3,318,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,125,754</u>	<u>3,318,881</u>	<u>193,127</u>	<u>-</u>
Total National School Lunch Program (incl. commodities)			7,086,619	3,305,129	209,870	-	3,798,233	3,781,490	193,127	-
National School Breakfast Program 2015-16	161970	10.553	892,845	892,845	60,666	-	60,666	-	-	-
National School Breakfast Program 2016-17	171970	10.553	<u>914,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>858,915</u>	<u>914,824</u>	<u>55,909</u>	<u>-</u>
Total National School Breakfast Program			1,807,669	892,845	60,666	-	919,581	914,824	55,909	-
Summer Food Service Program 2015-16	160900 161900	10.559	189,936	189,936	22,299	-	22,299	-	-	-
Summer Food Service Program 2016-17	170900 171900	10.559	<u>145,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,474</u>	<u>145,237</u>	<u>30,763</u>	<u>-</u>
Total Summer Food Service Program			<u>335,173</u>	<u>189,936</u>	<u>22,299</u>	<u>-</u>	<u>136,773</u>	<u>145,237</u>	<u>30,763</u>	<u>-</u>
Total Child Nutrition Cluster			9,229,461	4,387,910	292,835	-	4,854,587	4,841,551	279,799	-
Special Education Cluster - U.S. Department of Education - Passed through the Macomb County ISD - IDEA:										
IDEA Flowthrough 1516	160450-1516	84.027	2,242,572	2,242,572	762,063	-	762,063	-	-	-
IDEA Flowthrough 1617	170450-1617	84.027	<u>2,340,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,261,049</u>	<u>2,340,375</u>	<u>1,079,326</u>	<u>-</u>
Total IDEA Flowthrough			4,582,947	2,242,572	762,063	-	2,023,112	2,340,375	1,079,326	-
Handicapped Preschool Incentive:										
IDEA Preschool 1516	160460-1516	84.173	70,339	70,339	25,186	-	25,186	-	-	-
IDEA Preschool 1617	170460-1617	84.173	<u>69,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,832</u>	<u>69,710</u>	<u>33,878</u>	<u>-</u>
Total Preschool Incentive			<u>140,049</u>	<u>70,339</u>	<u>25,186</u>	<u>-</u>	<u>61,018</u>	<u>69,710</u>	<u>33,878</u>	<u>-</u>
Total Special Education Cluster			4,722,996	2,312,911	787,249	-	2,084,130	2,410,085	1,113,204	-

See Notes to Schedule of Expenditures of Federal Awards.

Warren Consolidated Schools

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

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
Other federal awards:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Child and Adult Care Food Service Program 2015-16	161920 162010	10.558	\$ 95,747	\$ 95,747	\$ 1,972	\$ -	\$ 1,972	\$ -	\$ -	\$ -
Child and Adult Care Food Service Program 2016-17	171920 172010	10.558	96,959	-	-	-	96,671	96,959	288	-
Total Child and Adult Care Food Service Program			192,706	95,747	1,972	-	98,643	96,959	288	-
U.S. Department of Education - Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1516	161530	84.010	3,777,074	2,931,062	884,273	-	896,960	12,687	-	-
Title I Part A 1617	171530	84.010	4,576,590	-	-	-	3,257,217	3,965,169	707,952	-
Total Title I			8,353,664	2,931,062	884,273	-	4,154,177	3,977,856	707,952	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 1516	160520	84.367	396,519	376,229	126,118	(757)	125,361	-	-	-
Title II Part A 1617	170520	84.367	361,824	-	-	-	264,728	319,452	54,724	-
Total Title II - Improving Teacher Quality			758,343	376,229	126,118	(757)	390,089	319,452	54,724	-
Title III - Limited English Proficient Students Grant:										
Title III - Limited English Proficient Students 1516	160580	84.365	511,794	410,334	290,698	-	290,976	278	-	-
Title III - Limited English Proficient Students 1617	170580	84.365	488,827	-	-	-	355,811	440,205	84,394	-
Total Title III - Limited English Proficient Students Grant			1,000,621	410,334	290,698	-	646,787	440,483	84,394	-
Title III - Immigrant Students Grant:										
Title III - Immigrant Student 1011	110570	84.365	403,986	-	(140)	(4)	(144)	-	-	-
Title III - Immigrant Student 1516	160570	84.365	334,230	114,914	27,642	(9)	27,633	-	-	-
Total Title III - Immigrant Students Grant			738,216	114,914	27,502	(13)	27,489	-	-	-
Title III - Part A Supplemental Funds for Immigrant Students Grant										
	160590	84.365B	5,190	2,143	2,143	-	2,143	-	-	-
Total Title III			1,744,027	527,391	320,343	(13)	676,419	440,483	84,394	-
Total noncluster programs passed through the Michigan Department of Education			11,048,740	3,930,429	1,332,706	(770)	5,319,328	4,834,750	847,358	-

See Notes to Schedule of Expenditures of Federal Awards.

Warren Consolidated Schools

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

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Federal CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred to Subrecipient
Other federal awards - U.S. Department of Education (continued):										
Passed through the Macomb County ISD:										
Vocational Education - Basic Grants to States (Perkins II):										
Vocational Education 1516	163520 161216	84.048	\$ 145,769	\$ 130,991	\$ 35,079	\$ (1,664)	\$ 33,415	\$ -	\$ -	\$ -
Vocational Education 1617	173520 171216	84.048	150,985	-	-	-	84,585	150,985	66,400	-
Total Vocational Education - Basic Grants to States (Perkins II)			296,754	130,991	35,079	(1,664)	118,000	150,985	66,400	-
Adult Education - ABE:										
Adult Education 1516	161120 165199	84.002	25,000	19,903	17,833	-	17,833	-	-	-
Adult Education 1617	171120 175199	84.002	25,000	-	-	-	428	428	-	-
Total Adult Education - ABE			50,000	19,903	17,833	-	18,261	428	-	-
Safe and Drug-free Schools and Communities	082860-0708	84.186	27,614	25,700	(1,914)	-	-	-	(1,914)	-
Title III - Immigrant Students Grant 1617	170570	84.365	240,299	-	-	-	-	70,434	70,434	-
Total passed through the Macomb County ISD			614,667	176,594	50,998	(1,664)	136,261	221,847	134,920	-
Direct programs - Character Education - Learning for Life	2007R215S020105-06-0 607	84.215	713,791	477,493	(45,640)	-	-	-	(45,640)	-
Total federal awards			<u>\$ 26,329,655</u>	<u>\$ 11,285,337</u>	<u>\$ 2,418,148</u>	<u>\$ (2,434)</u>	<u>\$ 12,394,306</u>	<u>\$ 12,308,233</u>	<u>\$ 2,329,641</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

Warren Consolidated Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 13,080,896
Less federal interest subsidy on Build America Bonds as of June 30, 2017	(773,429)
Other adjustment	<u>766</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 12,308,233</u></u>

Warren Consolidated 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 Warren Consolidated 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 Warren Consolidated Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Warren Consolidated 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.

Warren Consolidated Schools 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.

Warren Consolidated 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 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
84.027, 84.173 84.365	Special Education Cluster Title III

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

Auditee qualified as low-risk auditee? Yes No

Warren Consolidated Schools

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2017-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - The School District's internal control structure should ensure that all cash and investment accounts are property reconciled and valued accurately as of year end.</p> <p>Condition - The School District's investment accounting practice did not appropriately consider Governmental Accounting Standards Board (GASB) Statement No. 72 for the 2016 Building and Site Series A Capital Projects Fund causing the investments to be overstated.</p> <p>Context - For all investments held within the 2016 Building and Site Series A Capital Projects Fund, the School District adjusted investment balances at year end to reflect amortized cost. For investments with a maturity date of greater than one year, the School District did not adjust investment values to reflect the fair market value as required under GASB Statement No. 72. These investments were new to the School District for the 2017 fiscal year.</p> <p>Cause - The School District did not appropriately consider GASB Statement No. 72 when reviewing and reconciling the account and recorded investments with maturity dates of greater than one year at amortized cost as opposed to fair market value.</p> <p>Effect - Investments were overstated by approximately \$316,000. A corrective entry was posted by management to reflect the 2016 Building and Site Series A Capital Projects Fund investments at approximately \$62,025,000.</p> <p>Recommendation - We recommend the School District review relevant accounting standards related to investment valuations. In addition, we recommend the School District review its current reconciliation process to ensure these accounts are included in that process.</p>

Warren Consolidated Schools

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2017-001 (Con't)	Views of Responsible Officials and Planned Corrective Actions - The School District understands the importance of correctly adhering to accounting standards and ensuring that all assets are appropriately stated. For the investments purchased during fiscal year 2017 within the 2016 Building and Site Series A Capital Projects Fund, the School District originally used amortized cost to value those investments as they are being held to maturity. However, recent guidance requires that investments that mature in less than one year from the time of purchase are to be recorded at amortized cost while investments being held at more than one year from the time of purchase are recorded at fair market value. The investments within the 2016 Building and Site Series A Capital Project Fund investments are being held to maturity and at maturity they are worth a predetermined cash value which may not reflect fair market value. In the future, the School District will ensure to perform its reconciliation in accordance with the applicable guidance and will perform a more thorough process of understanding the implications of new accounting guidance.

Section III - Federal Program Audit Findings

None