
Public Schools of the City of Ann Arbor, Michigan

**Federal Awards
Supplemental Information
June 30, 2019**

Independent Auditor's Reports

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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
Public Schools of the City of Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Schools of the City of Ann Arbor, Michigan (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 22, 2019, which contained an unmodified opinion on the financial statements. 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 22, 2019.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic 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 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 22, 2019

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
Public Schools of the City of Ann Arbor, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Public Schools of the City of Ann Arbor, Michigan (the "School District") as of and for the year ended June 30, 2019 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 22, 2019.

Internal Control Over Financial Reporting

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

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. 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 School District'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*.

To Management and the Board of Education
Public Schools of the City of Ann Arbor, Michigan

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 entity'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 22, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Public Schools of the City of Ann Arbor, Michigan

Report on Compliance for Each Major Federal Program

We have audited Public Schools of the City of Ann Arbor, Michigan's (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 the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the School District'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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District 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 the major federal programs for the year ended June 30, 2019.

To the Board of Education
Public Schools of the City of Ann Arbor, Michigan

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District'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 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 22, 2019

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture										
Passed through the Michigan Department of Education										
Noncash Assistance (Commodities) - Distribution - Entitlement	N/A	10.555	\$ 242,150	\$ -	\$ -	\$ -	\$ 242,150	\$ 242,150	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2017-2018	181960	10.555	1,688,313	1,501,651	84,069	-	270,731	186,662	-	-
National School Lunch Program 2018-2019	191960	10.555	1,476,577	-	-	-	1,395,635	1,476,577	80,942	-
National School Lunch Program subtotal			3,407,040	1,501,651	84,069	-	1,908,516	1,905,389	80,942	-
National School Breakfast Program 2017-2018	181970	10.553	498,470	448,584	27,464	-	77,350	49,886	-	-
National School Breakfast Program 2018-2019	191970	10.553	409,287	-	-	-	384,177	409,287	25,110	-
National School Breakfast Program subtotal			907,757	448,584	27,464	-	461,527	459,173	25,110	-
Total Child Nutrition Cluster			4,314,797	1,950,235	111,533	-	2,370,043	2,364,562	106,052	-
Highway Planning and Construction Cluster - Michigan Department of Transportation - Passed through Michigan Fitness Foundation:										
Highway Planning and Construction: 2018-2019 Safe Routes to School	2017071/2017087	20.205	25,985	-	-	-	-	8,165	8,165	-
Total Highway Planning and Construction Cluster		20.205	25,985	-	-	-	-	8,165	8,165	-
Special Education Cluster - U.S. Department of Education: Passed through Washtenaw County ISD - IDEA:										
Special Education - Grants to states (IDEA, Part B):										
IDEA, Part B:										
2017 Flowthrough	170450	84.027	3,195,300	3,195,300	225,679	-	225,679	-	-	-
2018 Flowthrough	180450	84.027	3,250,406	3,250,406	2,476,394	-	2,476,394	-	-	-
2019 Flowthrough	190450	84.027	3,569,429	-	-	-	3,024,763	3,569,429	544,666	-
Total Special Education - Grants to States (IDEA, Part B)			10,015,135	6,445,706	2,702,073	-	5,726,836	3,569,429	544,666	-
Special Education - Preschool Grants (IDEA Preschool):										
IDEA Preschool:										
2018 Preschool Incentive	180460	84.173	107,976	107,976	49,096	-	49,096	-	-	-
2019 Preschool Incentive	190460	84.173	115,612	-	-	-	88,313	115,612	27,299	-
Total Special Education - Preschool Grants (IDEA Preschool)			223,588	107,976	49,096	-	137,409	115,612	27,299	-
Total Special Education Cluster			10,238,723	6,553,682	2,751,169	-	5,864,245	3,685,041	571,965	-

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds		Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
							Payments In-kind Received	Federal Expenditures		
Other federal awards										
U.S. Department of Education:										
Passed through the Michigan Department of Education:										
Adult Education English - 2017-2018	181130	84.002	174,912	174,912	296	-	296	-	-	-
Adult Education English - 2018-2019	191130	84.002	174,912	-	-	-	149,739	151,254	1,515	-
Total Adult Education			349,824	174,912	296	-	150,035	151,254	1,515	-
Title I, Part A:										
Title I, District Program - 2017-2018	181530	84.010	2,165,844	1,676,039	232,842	-	356,483	123,641	-	-
Title I, District Program - 2018-2019	191530	84.010	1,893,033	-	-	-	1,267,877	1,696,177	428,300	-
Total Title I, Part A			4,058,877	1,676,039	232,842	-	1,624,360	1,819,818	428,300	-
Title III, Limited English Proficient Grant:										
2017-2018 Program	180570	84.365	244,228	52,133	23,729	-	59,632	35,903	-	-
2018-2019 Program	190580	84.365	297,617	-	-	-	139,430	140,215	785	-
Total Title III, Limited English			541,845	52,133	23,729	-	199,062	176,118	785	-
Title III, Immigrant Students:										
2017-2018 Program	180570	84.365	127,951	49,313	4,718	-	9,371	4,653	-	-
2018-2019 Program	190580	84.365	169,395	-	-	-	22,911	31,276	8,365	-
Total Title III, Immigrant Students			297,346	49,313	4,718	-	32,282	35,929	8,365	-
Title II, Part A, Teacher/Principal Training and Recruiting:										
2017-2018 Program	180520	84.367	994,329	275,413	77,591	-	187,527	109,936	-	-
2018-2019 Program	190520	84.367	1,048,838	-	-	-	225,617	295,627	70,010	-
Total Title II, Part A			2,043,167	275,413	77,591	-	413,144	405,563	70,010	-
Title IV, Part A, Student Support/Academic Enrichment:										
2018-2019 Program	190750	84.424	146,351	-	-	-	23,779	43,265	19,486	-
Total noncluster programs passed through the Michigan Department of Education			7,437,410	2,227,810	339,176	-	2,442,662	2,631,947	528,461	-

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2018	Adjustments and Transfers	Federal Funds		Accrued Revenue at June 30, 2019	Current Year Cash Transferred to Subrecipients
							Payments In-kind Received	Federal Expenditures		
Other federal awards (Continued)										
Headstart - U.S. Department of Health and Human Services - Passed through Washtenaw County - Head Start:										
Head Start Grant - 2017-2018	05CH8329	93.600	952,972	1,292,972	786,612	-	786,612	-	-	-
Head Start Grant - 2018-2019	05CH8329	93.600	905,929	-	-	-	668,303	905,929	237,626	-
Total Head Start Grants			1,858,901	1,292,972	786,612	-	1,454,915	905,929	237,626	-
Passed through the Michigan Department of Career Development - Passed through the Washtenaw County ISD - Vocational Education - Basic Grants to States - Perkins III:										
2017-2018 Perkins III Program	183520/181223	84.048	140,050	140,050	80,027	-	80,027	-	-	-
2018-2019 Perkins III Program	193520/191223	84.048	170,050	-	-	-	133,883	170,050	36,167	-
Total Perkins III			310,100	140,050	80,027	-	213,910	170,050	36,167	-
Total Federal Awards			\$ 24,185,916	\$ 12,164,749	\$ 4,068,517	\$ -	\$ 12,345,775	\$ 9,765,694	\$ 1,488,436	\$ -

Public Schools of the City of Ann Arbor, Michigan

**Reconciliation of Basic Financial Statements Federal Revenue
with Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2019

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 9,273,169
Deferred revenue not reported for year ended June 30, 2018	(42,008)
Deferred revenue not reported for year ended June 30, 2019	<u>534,533</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 9,765,694</u></u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Public Schools of the City of Ann Arbor, Michigan (the "School District") under programs of the federal government for the year ended June 30, 2019. The information in the 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The School District has elected not to use the 10 percent *de minimis* 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.

Public Schools of the City of Ann Arbor, Michigan

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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? Yes X None reported

Noncompliance material to financial statements noted? Yes X None reported

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 Number	Name of Federal Program or Cluster
84.010	Title I, Part A
93.600	Head Start

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

None

Section III - Federal Program Audit Findings

None