
Public Schools of the City of Ann Arbor, Michigan

**Federal Awards
Supplemental Information
June 30, 2020**

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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, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated November 6, 2020, 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 November 6, 2020.

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

November 6, 2020

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, 2020 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 November 6, 2020.

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) as a basis for designing 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2020-01, that we consider to be a significant deficiency.

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 financial statements. 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*.

The School District's Response to the Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 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

November 6, 2020

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 the School District's major federal program for the year ended June 30, 2020. The School District'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 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 the 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 the major federal program for the year ended June 30, 2020.

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.

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

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

November 6, 2020

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, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	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	\$ 289,678	\$ -	\$ -	\$ -	\$ 289,678	\$ 289,678	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2018-2019	191960	10.555	1,676,331	1,476,577	80,942	-	280,696	199,754	-	-
National School Lunch Program 2019-2020	201960	10.555	960,952	-	-	-	960,952	960,952	-	-
COVID-19 Unanticipated School Closures Program	200902	10.555	1,214,932	-	-	-	561,010	1,214,932	653,922	-
Total National School Lunch Program			4,141,893	1,476,577	80,942	-	2,092,336	2,665,316	653,922	-
National School Breakfast Program 2018-2019	191970	10.553	457,746	409,287	25,110	-	73,569	48,459	-	-
National School Breakfast Program 2019-2020	201970	10.553	262,696	-	-	-	262,696	262,696	-	-
Total National School Breakfast Program			720,442	409,287	25,110	-	336,265	311,155	-	-
Summer Food Service Program for Children (SFSPC) 2019-2020: Unanticipated School Closures Program	200901	10.559	1,819	-	-	-	-	1,819	1,819	-
Total Child Nutrition Cluster			4,864,154	1,885,864	106,052	-	2,428,601	2,978,290	655,741	-
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	-	8,165	-	-	-
2018-2019 Safe Routes to School Carryover	2017071/2017087	20.205	25,985	-	-	-	850	9,369	8,519	-
Total Highway Planning and Construction Cluster			51,970	8,165	8,165	-	9,015	9,369	8,519	-
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:										
2019 Flowthrough	190450	84.027	3,569,429	3,569,429	544,666	-	544,666	-	-	-
2020 Flowthrough	200450	84.027	3,571,110	-	-	-	2,871,482	3,534,190	662,708	-
Total Special Education - Grants to States (IDEA, Part B)			7,140,539	3,569,429	544,666	-	3,416,148	3,534,190	662,708	-
Special Education - Preschool Grants (IDEA Preschool) - IDEA Preschool:										
2019 Preschool Incentive	190460	84.173	115,612	115,612	27,299	-	27,299	-	-	-
2020 Preschool Incentive	200460	84.173	98,706	-	-	-	92,351	98,706	6,355	-
Total Special Education - Preschool Grants (IDEA Preschool)			214,318	115,612	27,299	-	119,650	98,706	6,355	-
Total Special Education Cluster			7,354,857	3,685,041	571,965	-	3,535,798	3,632,896	669,063	-

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, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipients
Clusters (continued):										
Head Start - U.S. Department of Health and Human Services - Passed through Washtenaw County ISD - Head Start:										
Head Start Grant - 2018-2019	05CH8329	93.600	\$ 905,929	\$ 905,929	\$ 237,626	\$ -	\$ 237,626	\$ -	\$ -	\$ -
Head Start Grant - 2019-2020	05CH8329	93.600	1,020,405	-	-	-	783,798	1,020,405	236,607	-
Total Head Start Grants			1,926,334	905,929	237,626	-	1,021,424	1,020,405	236,607	-
Total Clusters			14,197,315	6,484,999	923,808	-	6,994,838	7,640,960	1,569,930	-
Other federal awards:										
U.S. Department of Education:										
Passed through the Michigan Department of Education:										
Adult Education English - 2018-2019	191130	84.002	174,912	151,254	1,515	-	1,515	-	-	-
Adult Education English - 2019-2020	201130	84.002	199,912	-	-	-	135,608	155,715	20,107	-
Total Adult Education			374,824	151,254	1,515	-	137,123	155,715	20,107	-
Title I, Part A:										
Title I, District Program - 2018-2019	191530	84.010	1,893,033	1,696,177	428,300	-	504,203	75,903	-	-
Title I, District Program - 2019-2020	201530	84.010	1,699,323	-	-	-	930,134	1,362,291	432,157	-
Total Title I, Part A			3,592,356	1,696,177	428,300	-	1,434,337	1,438,194	432,157	-
Title III, Limited English Proficient Grant:										
2018-2019 Program	190580	84.365	297,617	140,215	785	-	78,142	77,357	-	-
2019-2020 Program	200580	84.365	251,993	-	-	-	44,691	104,155	59,464	-
Total Title III, Limited English			549,610	140,215	785	-	122,833	181,512	59,464	-
Title III, Immigrant Students:										
2018-2019 Program	190570	84.365	169,395	31,276	8,365	-	34,215	25,850	-	-
2019-2020 Program	200570	84.365	191,236	-	-	-	33,391	69,732	36,341	-
Total Title III, Immigrant Students			360,631	31,276	8,365	-	67,606	95,582	36,341	-

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, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipients
Other federal awards (continued):										
Title II, Part A, Teacher/Principal Training and Recruiting:										
2018-2019 Program	190520	84.367	\$ 1,048,838	\$ 295,627	\$ 70,010	\$ -	\$ 316,434	\$ 246,424	\$ -	\$ -
2019-2020 Program	200520	84.367	920,484	-	-	-	92,181	146,948	54,767	-
Total Title II, Part A			1,969,322	295,627	70,010	-	408,615	393,372	54,767	-
Title IV, Part A, Student Support/Academic Enrichment:										
2018-2019 Program	190750	84.424	146,351	43,265	19,486	-	23,996	4,510	-	-
2019-2020 Program	200750	84.424	214,960	-	-	-	44,349	190,390	146,041	-
Total Title IV, Part A			361,311	43,265	19,486	-	68,345	194,900	146,041	-
Total noncluster programs passed through the Michigan Department of Education			7,208,054	2,357,814	528,461	-	2,238,859	2,459,275	748,877	-
Passed through the Michigan Department of Career Development - Passed through the Washtenaw County ISD - Vocational Education - Basic Grants to States - Perkins III:										
2018-2019 Perkins III Program	193520/191223	84.048	170,050	170,050	36,167	-	36,167	-	-	-
2019-2020 Perkins III Program	203520/201223	84.048	160,952	-	-	-	117,953	155,456	37,503	-
Total Perkins III			331,002	170,050	36,167	-	154,120	155,456	37,503	-
Total federal awards			\$ 21,736,371	\$ 9,012,863	\$ 1,488,436	\$ -	\$ 9,387,817	\$ 10,255,691	\$ 2,356,310	\$ -

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, 2020

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 10,031,383
Deferred revenue not reported for year ended June 30, 2019	(534,533)
Deferred revenue not reported for year ended June 30, 2020	758,845
Other differences	<u>(4)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 10,255,691</u></u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. 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, 2020

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 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
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

Public Schools of the City of Ann Arbor, Michigan

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2020

Section II - Financial Statement Audit Findings

Reference Number	Finding
2020-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - The School District's internal control structure should ensure that the books and records are closed and bank reconciliations are prepared and reviewed in a timely manner in the normal course of operations. Accounts should be reconciled, supported, and independently reviewed.</p> <p>Condition - Several account balances in the School District's books and records for the 2020 fiscal year were not reconciled timely, resulting in the School District recording journal entries after the commencement of the audit and adjustments identified by the auditor as part of the audit process. Additionally, there were several modifications made to the schedule of expenditures of federal awards during the audit process.</p> <p>Context - Adjustments and reclassifications that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenue, assets, and liabilities within the School District's governmental funds. There were also modifications made to the schedule of expenditures of federal awards during the audit process.</p> <p>Cause - The School District did not have adequate controls and processes in place to analyze, adjust, and independently review account balances and the schedule of expenditures in federal awards prior to the commencement of the audit. Staff turnover in critical positions within the business office contributed to the School District not being able to adequately close its books prior to commencement of the audit.</p> <p>Effect - As a result, the aforementioned balances were not adjusted or independently reviewed prior to the commencement of audit procedures.</p> <p>Recommendation - We recommend that the School District continue to assess and revise its processes and controls, as well as examine the allocation of resources in the business office, to ensure proper and timely closing of its accounting books and records on a monthly and annual basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with the above recommendation. The School District has begun to review processes and personnel to adequately staff the business office and to ensure proper and timely account reconciliations and closing of its books on a monthly and annual basis. This includes adhering to balance sheet account reconciliation schedules and incorporating a specific year-end close schedule for its books and records, including the schedule of expenditures of federal awards, into its processes and controls.</p>

Section III - Federal Program Audit Findings

None