

The Dearborn Academy

**Federal Awards
Supplemental Information
June 30, 2014**

The Dearborn Academy

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Directors
The Dearborn Academy

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the The Dearborn Academy's basic financial statements. We issued our report thereon dated September 29, 2014 which contained unmodified opinions on the financial statements. 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 September 29, 2014.

The accompanying schedule of expenditures of federal awards and 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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

September 29, 2014

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
The Dearborn Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of The Dearborn Academy as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the The Dearborn Academy's basic financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

To Management and the Board of Directors
The Dearborn Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Dearborn Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Dearborn Academy's Response to Findings

The Dearborn Academy's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Dearborn Academy'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.

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 Dearborn Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Dearborn Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

September 29, 2014

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

Independent Auditor's Report

To the Board of Directors
The Dearborn Academy

Report on Compliance for Each Major Federal Program

We have audited The Dearborn Academy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. The Dearborn Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Dearborn Academy's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Dearborn Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Directors
The Dearborn Academy

Opinion on Each Major Federal Program

In our opinion, The Dearborn Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of The Dearborn Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Dearborn Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 The Dearborn Academy'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

September 29, 2014

The Dearborn Academy

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2014
Clusters:								
Child Nutrition Cluster -								
U.S. Department of Agriculture - Passed through the								
Michigan Department of Education:								
Non-Cash Assistance (Commodities) - Entitlement Commodities	10.555	\$ 16,509	\$ -	\$ -	\$ -	\$ 16,509	\$ 16,509	\$ -
Cash Assistance :								
National School Breakfast Program:								
2012-2013	10.553	65,560	65,560	5,918	981	6,899	-	-
2013-2014		<u>107,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,482</u>	<u>107,395</u>	<u>6,913</u>
Total National School Breakfast Program		<u>172,955</u>	<u>65,560</u>	<u>5,918</u>	<u>981</u>	<u>107,381</u>	<u>107,395</u>	<u>6,913</u>
National School Lunch Program:								
2012-2013	10.555	200,392	199,238	12,972	2,451	16,577	1,154	-
2013-2014		<u>225,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,171</u>	<u>225,663</u>	<u>14,492</u>
Total National School Lunch Program		<u>426,055</u>	<u>199,238</u>	<u>12,972</u>	<u>2,451</u>	<u>227,748</u>	<u>226,817</u>	<u>14,492</u>
Total Cash Assistance		<u>599,010</u>	<u>264,798</u>	<u>18,890</u>	<u>3,432</u>	<u>335,129</u>	<u>334,212</u>	<u>21,405</u>
Total Child Nutrition Cluster		<u>615,519</u>	<u>264,798</u>	<u>18,890</u>	<u>3,432</u>	<u>351,638</u>	<u>350,721</u>	<u>21,405</u>
Special Education Cluster -								
U.S. Department of Education - Passed through the Wayne County RESA -								
IDEA, Part B:								
IDEA Flowthrough 2012-2013	84.027	88,775	88,781	16,962	(6)	16,956	-	-
IDEA Flowthrough 2013-2014		<u>74,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,620</u>	<u>74,620</u>	<u>-</u>
Total IDEA, Part B		<u>163,395</u>	<u>88,781</u>	<u>16,962</u>	<u>(6)</u>	<u>91,576</u>	<u>74,620</u>	<u>-</u>
Total cluster programs		<u>778,914</u>	<u>353,579</u>	<u>35,852</u>	<u>3,426</u>	<u>443,214</u>	<u>425,341</u>	<u>21,405</u>

The Dearborn Academy

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2013	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2014
Other Federal Awards:								
U.S. Department of Education - Foreign Language Assistance Program - Project number T293B090175 2012-2013	84.293B	\$ 29,474	\$ 29,468	\$ 5,270	\$ -	\$ 5,270	\$ -	\$ -
U.S. Department of Education - Passed through the Michigan Department of Education -								
Title I - Part A:	84.010							
Project number 131530-1213		424,876	424,876	85,425	-	85,425	-	-
Project number 141530-1314		476,128	-	-	-	376,606	455,232	78,626
Total Title I		901,004	424,876	85,425	-	462,031	455,232	78,626
Title II - Part A - Improving Teacher Quality - Project number 130520-1314	84.367	59,156	-	-	-	23,417	28,848	5,431
Title III - Limited English Proficient and Immigrant Students:								
Project number 130570-1213	84.365	4,684	4,684	1,316	-	1,316	-	-
Project number 130580-1213		43,092	39,482	19,800	26	19,826	-	-
Project number 140580-1314		32,796	-	-	-	11,885	26,805	14,920
Total Title III - Limited English Proficient and Immigrant Students		80,572	44,166	21,116	26	33,027	26,805	14,920
Fresh Fruit and Vegetable Program - Project number 140950-1314	10.582	25,740	-	-	-	21,352	23,330	1,978
U.S. Department of Agriculture - Passed through the Michigan Department of Education (West Village Academy) - Child and Adult Care Food Program:								
132010 CACFP Meals	10.558	14,995	14,995	3,432	(3,432)	-	-	-
142010 CACFP Meals		22,115	-	-	-	14,195	22,115	7,920
Total CACFP meals		37,110	14,995	3,432	(3,432)	14,195	22,115	7,920
Total noncluster programs		1,133,056	513,505	115,243	(3,406)	559,292	556,330	108,875
Total federal awards		\$ 1,911,970	\$ 867,084	\$ 151,095	\$ 20	\$ 1,002,506	\$ 981,671	\$ 130,280

See Notes to Schedule of Expenditures of Federal Awards.

The Dearborn Academy

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,007,343
Less unavailable revenue at June 30, 2013	<u>(25,672)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 981,671</u>

The Dearborn Academy

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the The Dearborn Academy under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of The Dearborn Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of The Dearborn Academy. Pass-through entity identifying numbers are presented where available.

Note 2 - 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 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 4 - Adjustments and Transfers

During the year ended June 30, 2014, there was an adjustment in the amount of \$3,432 between child and adult care food program and the child nutrition cluster resulting in amounts recognized in the incorrect grant in the previous year. There were also other miscellaneous adjustments totaling \$20 resulting from incorrect accrued revenue amounts in the prior year.

The Dearborn Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

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 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

The Dearborn Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p>Finding Type - Material Weakness</p> <p>Criteria - Generally accepted accounting principles require that amounts for goods or services received prior to year end be accrued in accounts payable and the expenditure recognized.</p> <p>Condition - Certain payables related to the year ended June 30, 2014 were recorded twice. This resulted in an overstatement of accounts payable and expenditures at year end.</p> <p>Context - Dearborn (The "Academy") accrued one month of the payment to the management company related to state aid twice as of year end. This resulted in the accounts payable and various expenditures to be overstated by approximately \$274,000.</p> <p>Cause - Prior to year end, various entries were made during June to estimate the payables through August. These amounts were ultimately reversed so that actual accruals could be recorded; however, there was an error when making these journal entries in that one invoice was posted twice.</p> <p>Effect - The Academy overstated accounts payable and expenditures by approximately \$274,000. All correcting adjustments have since been made by the Academy and amounts are properly stated at June 30, 2014.</p> <p>Recommendation - We recommend the Academy carefully review all year-end accruals to ensure amounts are properly recorded and reflect only unpaid amounts that relate to goods or services provided prior to year-end.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Academy will carefully review all year-end accruals to ensure amounts are properly recorded and reflect only unpaid amounts that relate to goods or services provided prior to year end.</p>

Section III - Federal Program Audit Findings

None