

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS

(FEDERAL AWARDS)

FOR THE YEAR ENDED JUNE 30, 2017



SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Supplementary Information:	
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	5
Independent Auditor's 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>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	8
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	14
Corrective Action Plan (Unaudited)	15

**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Education
South Lake Schools
St. Clair Shores, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Lake 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 16, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Stewart, Beauvais & Whipple".

Certified Public Accountants

October 16, 2017

SOUTH LAKE SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue June 30, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue June 30, 2017	Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE -								
Passed through Michigan Department of Education:								
Child Nutrition Cluster -								
School Breakfast Program -								
161970	10.553	\$ 173,543	\$ -	\$ 156,704	\$ 16,839	\$ 16,839	\$ -	\$ -
171970		139,784	-	-	139,784	131,114	8,670	-
		<u>313,327</u>	<u>-</u>	<u>156,704</u>	<u>156,623</u>	<u>147,953</u>	<u>8,670</u>	<u>-</u>
National School Lunch Program -								
161960	10.555	455,397	-	409,710	45,687	45,687	-	-
171960		371,882	-	-	371,882	348,520	23,362	-
USDA Commodities (Non-Cash Assistance) -								
Entitlement - School Year 2016								
Entitlement - School Year 2017								
		55,487	-	47,898	7,589	7,589	-	-
		62,145	-	-	62,145	62,145	-	-
		<u>944,911</u>	<u>-</u>	<u>457,608</u>	<u>487,303</u>	<u>463,941</u>	<u>23,362</u>	<u>-</u>
Summer Food Service Program for Children -								
160900	10.559	5,871	-	-	5,871	5,871	-	-
161900		3,912	-	-	3,912	3,912	-	-
		<u>9,783</u>	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>9,783</u>	<u>-</u>	<u>-</u>
Total Child Nutrition Cluster		<u>1,268,021</u>	<u>-</u>	<u>614,312</u>	<u>653,709</u>	<u>621,677</u>	<u>32,032</u>	<u>-</u>
Child and Adult Care Food Program -								
161920	10.558	9,858	-	8,961	897	897	-	-
162010		506	-	469	37	37	-	-
171920		7,291	-	-	7,291	7,291	-	-
172010		355	-	-	355	355	-	-
		<u>18,010</u>	<u>-</u>	<u>9,430</u>	<u>8,580</u>	<u>8,580</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>1,286,031</u>	<u>-</u>	<u>623,742</u>	<u>662,289</u>	<u>630,257</u>	<u>32,032</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

SOUTH LAKE SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue June 30, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue June 30, 2017	Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF EDUCATION -								
Passed Through Michigan Department of Education:								
Title I, Grants to Local Educational Agencies -								
Title I, Part A -								
161530	1516	\$ 444,483	\$ 1,041	\$ 334,494	\$ 50,961	\$ 52,002	\$ -	\$ -
171530	1617	452,240	-	-	372,688	372,688	-	-
		<u>896,723</u>	<u>1,041</u>	<u>334,494</u>	<u>423,649</u>	<u>424,690</u>	<u>-</u>	<u>-</u>
Improving Teacher Quality, State Grants								
Title II, Part A -								
160520	1516	155,978	2,334	99,869	-	2,334	-	-
170520	1617	137,743	-	-	108,648	108,648	-	-
		<u>293,721</u>	<u>2,334</u>	<u>99,869</u>	<u>108,648</u>	<u>110,982</u>	<u>-</u>	<u>-</u>
Total Passed Through Michigan Department of Education		<u>1,190,444</u>	<u>3,375</u>	<u>434,363</u>	<u>532,297</u>	<u>535,672</u>	<u>-</u>	<u>-</u>
Passed Through Macomb Intermediate School District:								
Special Education Cluster (IDEA) -								
Handicapped Preschool and School Program -								
PL 94-142 Flowthrough -								
160450	1516	406,219	66,242	398,948	7,271	73,513	-	-
170450	1617	383,487	-	-	383,487	310,971	72,516	-
		<u>789,706</u>	<u>66,242</u>	<u>398,948</u>	<u>390,758</u>	<u>384,484</u>	<u>72,516</u>	<u>-</u>
Preschool Grants -								
PL 94-142 Preschool Incentive -								
170460	1617	13,555	-	-	13,555	13,555	-	-
Total Special Education Cluster		<u>803,261</u>	<u>66,242</u>	<u>398,948</u>	<u>404,313</u>	<u>398,039</u>	<u>72,516</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

SOUTH LAKE SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue June 30, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Unearned) Revenue June 30, 2017	Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF EDUCATION (Cont'd) -								
Passed Through Macomb Intermediate School District (Cont'd):								
Career and Technical Education, Basic Grants to States-	84.048							
Vocational Education - 173520-171216 Program		\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 18,000	\$ 2,000	\$ -
Total Passed Through Macomb Intermediate School District		823,261	66,242	398,948	424,313	416,039	74,516	-
Total U.S. Department of Education		2,013,705	69,617	833,311	956,610	951,711	74,516	-
TOTAL FEDERAL AWARDS		\$ 3,299,736	\$ 69,617	\$ 1,457,053	\$ 1,618,899	\$ 1,581,968	\$ 106,548	\$ -

The accompanying notes are an integral part of this schedule.

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of South Lake Schools (the "School District") for the year ended June 30, 2017. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Revenue has been accrued at June 30, 2017 to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as unearned revenue. All year-end accruals are considered to have met the modified accrual basis revenue recognition criteria of measurability and availability. USDA commodities have been recognized as revenue when received by the School District.

For purposes of charging indirect costs to federal awards, the School District has not elected to use the 10% de minimus cost rate.

The School District administers a number of federal grants, which are paid under reimbursement arrangements in which the School District bills the Michigan Department of Education (MDE) or other pass-through grantors for allowable costs incurred. The programs identified on the Schedule are reported in the General and Special Revenue Funds of the School District.

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 or changes in net position of the School District.

NOTE 2 - NONCASH ASSISTANCE:

The value of the noncash assistance (commodities) received was determined in accordance with the provisions of the Uniform Guidance. The Recipient Entitlement Balance Report is utilized to determine the value of commodities distributed to the School District. In the prior year, pilot commodities were received in the amount of \$7,589 that were inadvertently omitted from the Schedule. These pilot commodities have been reported on the Schedule in the current year.

NOTE 3 - CASH MANAGEMENT SYSTEM AND GRANT AUDITOR REPORT UTILIZATION:

The School District utilizes the MDE Cash Management System (CMS) and Grant Auditor Report (GAR) in preparing the Schedule.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Board of Education
South Lake Schools
St. Clair Shores, Michigan

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 South Lake 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 16, 2017.

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 entity'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-002 and 2017-003, that we consider to be material weaknesses.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as 2017-001.

We noted certain other matters that we reported to management of the School District in a separate letter dated October 16, 2017.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Lake 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

October 16, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
South Lake Schools
St. Clair Shores, Michigan

Report on Compliance for Each Major Federal Program

We have audited South Lake Schools' (the "School District") compliance with the types of compliance requirements described in the *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, 2017. 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 the 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 the School District's major federal program 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 South Lake School'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.

We noted a certain matter that we reported to management of the School District in a separate letter dated October 16, 2017.

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.



Certified Public Accountants

October 16, 2017

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified 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 2 CFR Section 200.516(a) of the Uniform Guidance? yes x no

Identification of Major Program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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CFDA #10.553/555/559	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee? x yes no

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings:

2017-001: (Repeat Comment - Prior Year Finding 2016-001)

Type: Material noncompliance with laws and regulations

Criteria: Section 103 of the State of Michigan School Aid Act and the State of Michigan Uniform Budgeting and Accounting Act prohibits a school district to adopt or operate under a deficit budget and a district shall not incur an operating deficit in a fund during the school year.

Condition: The School District's original budget estimated a General Fund fund balance deficit of \$(1,745,230) with the final amended budget estimating a deficit of \$(1,166,420). The actual deficit for June 30, 2017 amounted to \$(1,282,078). The School District has filed and is operating under a deficit reduction plan which was originally approved by the State Treasury in September 2013.

Cause: Current operating revenues and carryover fund balance are not sufficient to cover operating expenditures.

Effect: The School District is not operating in accordance with the Michigan State School Aid Act.

Questioned Costs: None

Recommendation: The Board should continue to monitor its budget very closely and adopt a balanced budget as soon as possible.

View of Responsible Official and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

2017-002: Bank reconciliation should be completed timely with all reconciling items thoroughly investigated.

Type: Material weakness in internal controls over financial reporting.

Criteria: A required element of internal control over cash is to require a monthly bank reconciliation to be performed on all cash accounts within an entity to determine that the ending bank balance is reconciled to the General Ledger balance and all reconciling items are properly accounted for and recorded.

Condition: During the audit it appears that the bank reconciliations were performed on a monthly basis however two (2) accounts had material reconciling items that were not properly investigated and recorded in the accounting system. These reconciling items carried forward for a number of months. In addition, it appears that the reconciliation focuses more on reconciling the bank accounts to the Microsoft Excel workbooks that carried the activity of the account rather than the General Ledger. As a result, two material journal entries regarding these issues were proposed and accepted during the audit process.

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Context: We noted that the MILAF account had a reconciling item of approximately \$130,000 from a transaction that occurred in December 2016 while the other account had a reconciling item of approximately \$203,000 where the School District anticipated a refund of amounts spent however only a small refund was received.

Cause: The School District has not implemented controls over cash in which the monthly bank reconciliations are required to be completed with all reconciling items thoroughly investigated and that the accounts are reconciled to the General Ledger and not just the Microsoft Excel worksheets maintained.

Effect: The failure to implement the aforementioned internal control exposes the School District to risk of not identifying unrecorded or improperly recorded transactions and potential fraudulent financial reporting or misappropriation of assets.

Recommendation: We recommend that all bank accounts to be reconciled monthly with any reconciling items thoroughly investigated and supported. In addition, although the process can include the Microsoft Excel worksheets, the reconciliation process should be primarily focused on reconciling the bank accounts to the General Ledger.

View of Responsible Officials and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

2017-003: Disbursement process should be reviewed.

Type: Material weakness in internal controls over financial reporting.

Criteria: Segregation of duties is crucial to internal controls over the School District's processes to ensure a single individual does not have access to each step of a transaction cycle.

Condition: An employee has access to all aspects of the disbursement process, including the ability to write checks, keeping the sequence of checks written, completing bank reconciliations, ability to record journal entries, and maintenance of the General Ledger.

Context: There is a potential for misstatements, fraud, and errors due to the lack of segregation of duties within this transaction cycle.

Cause: During the year one of the key accounting personnel retired and was not replaced, as a result a number of duties were reassigned which eliminated controls that were in place in prior years.

Effect: The lack of segregation of duties exposes the School District to increased risk of misstatement, errors, fraudulent financial reporting, and misappropriation of assets.

Recommendation: We recommend evaluating the current controls over the disbursement process in order to determine where other individuals can be inserted into the process to strengthen the controls over disbursements.

View of Responsible Official and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section III - Federal Award Findings and Questioned Costs:

There were no federal award findings or questioned costs.

Section IV - Prior Years Findings and Questioned Costs:

See summary schedule of prior audit findings.

SOUTH LAKE SCHOOLS
St. Clair Shores, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

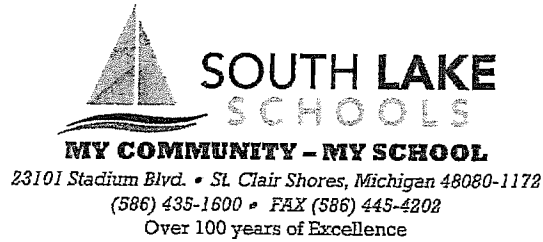
Audit Finding Number: 2016-001

Initial Year Finding Occurred: 2014

Status of Finding: The School District continues to monitor budget and spending. However, the finding has been repeated in the current year as finding 2017-001.

Revision or Deviation from Previous Corrective Action Reported: None. The School District continues to work closely with MDE to make significant strides in meeting all required milestones in the elimination of the School District's deficit.

Reasons for Belief Finding No Longer Valid or Warrants Further Action: N/A



October 16, 2017

District corrective action plan to the findings reported in the Schedule of Findings and Questioned Costs for the year ending June 30, 2017.

Section II – Financial Statement Findings:

2017-001: (Repeat Comment – Prior Year Finding 2016-001) Budget Noncompliance with the Michigan State School Aid Act

- As noted in the Summary Schedule of Prior Audit Findings, the District continues to monitor their budget and spending. The District continues to submit the required monthly reports to the State to show progress on the Deficit Elimination Plan (DEP) that was approved by the Michigan Department of Education (MDE) on September 4, 2014. At the request of the MDE, the district amends the DEP annually to update prior year forecasted budget projections to reflect current year budgeted revenues and expenditures. The District continues to work closely with the Michigan Department of Education to make significant strides in meeting all required milestones in the elimination of the District’s deficit.

2017-002: Bank reconciliation should be completed timely with all reconciling items thoroughly investigated.

- When reconciling monthly bank statements, focus will shift on recording account activity in the Microsoft Excel workbooks to recording account activity in the General Ledger. Reconciling items that are discovered during the monthly reconciliation will be reviewed and investigated as the General Ledger is updated. The corrective action will take place immediately and be implemented for the 2017-2018 fiscal year.

2017-003: Disbursement process should be reviewed.

- Management will evaluate current internal controls and determine how to best insert individuals to strengthen controls so one employee does not have access to all aspects of the disbursement process. The corrective action will take place immediately and be implemented for the 2017-2018 fiscal year.

<i>Theodore VonHiltmayer</i> Superintendent 586-435-1602	<i>Frank Thomas</i> Business/Human Resources 586 • 435-1660	<i>John Thero</i> Instruction & Assessment 586 • 435-1640	<i>David Hambaum</i> Operations/Maintenance 586 • 435-1660	<i>Karen Wrona</i> Special Education 586 • 435-1610
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**SOUTH LAKE
SCHOOLS**

MY COMMUNITY - MY SCHOOL

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(586) 435-1600 • FAX (586) 445-4202

Over 100 years of Excellence

We appreciate the opportunity to submit our corrective action plan to the findings reported in the Schedule of Findings and Questioned Costs for the year ending June 30, 2017. We believe the implementation of the aforementioned comments and suggestions and our improvements or changes in procedures will not only correct the findings, but prevent them from reoccurring in the future.

Sincerely,

Frank Thomas
Director of Business & H.R.

Theodore VonHiltmayer
Superintendent
586-435-1602

Frank Thomas
Business/Human Resources
586-435-1660

John Thero
Instruction & Assessment
586-435-1640

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Lois Cardenas
Trustee

Julie Ann Magee
Trustee