

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT

CADILLAC, MICHIGAN

SINGLE AUDIT

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
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>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Schedule of Expenditures of Federal Awards Provided to Subrecipients	7
Notes to Schedule of Expenditures of Federal Awards	8
Summary Schedule of Prior Audit Findings	9
Schedule of Findings and Questioned Costs	10-11



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

August 18, 2017

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 GOVERNMENT AUDITING STANDARDS

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, 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 Wexford-Missaukee Intermediate School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements, and have issued our report thereon dated August 18, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Wexford-Missaukee Intermediate 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 Wexford-Missaukee Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wexford-Missaukee Intermediate 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. 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 Wexford-Missaukee Intermediate 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*.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



August 18, 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
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Wexford-Missaukee Intermediate School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Wexford-Missaukee Intermediate School District's major federal program for the year ended June 30, 2017. Wexford-Missaukee Intermediate 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 Wexford-Missaukee Intermediate 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* (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 Wexford-Missaukee Intermediate 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 on Wexford-Missaukee Intermediate School District's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Wexford-Missaukee Intermediate 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 its major federal programs for the year ended June 30, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Wexford-Missaukee Intermediate 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 Wexford-Missaukee Intermediate 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 our 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 Wexford-Missaukee Intermediate School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements. We issued our report thereon dated August 18, 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 the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2017	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS
U.S. Department of Education									
Passed Through Michigan Department of Education (M.D.E.)									
Title I Regional Assistance Grant									
Project No. 171570-1617	84.010	\$ 182,045	\$ 0	\$ 0	\$ 64,224	\$ 41,878	\$ 22,346	\$ 0	\$ 0
Project No. 161570-1516	84.010	115,000	47,955	47,955	0	47,955	0	0	0
Total		297,045	47,955	47,955	64,224	89,833	22,346	0	0
Title II Part B(1) Mathematics and Science									
Project No. MSP2017-152410	84.366	150,080	0	0	112,176	0	112,176	0	0
Project No. MSP2016-152410	84.366	134,130	0	0	134,130	134,130	0	0	0
Total		284,210	0	0	246,306	134,130	112,176	0	0
Special Education - IDEA - Flowthrough									
Project No. 170450-1617	84.027	2,018,486	0	0	2,018,486	1,589,746	428,740	0	0
Project No. 160450-1516	84.027	1,955,874	804,905	1,884,804	71,070	865,618	10,357	0	0
Total		3,974,360	804,905	1,884,804	2,089,556	2,455,364	439,097	0	0
Special Education - State Initiated									
Project No. 170480-1617	84.027	50,000	0	0	50,000	31,739	18,261	0	0
Project No. 170490-1617	84.027	50,000	0	0	50,000	35,377	14,623	0	0
Project No. 160480-1112	84.027	50,000	21,597	50,000	0	21,597	0	0	0
Project No. 160490-TC	84.027	50,000	21,270	50,000	0	21,270	0	0	0
Total		200,000	42,867	100,000	100,000	109,983	32,884	0	0
Special Education - IDEA - Preschool Grants									
Project No. 170460-1617	84.173	55,871	0	0	55,871	40,044	15,827	0	0
Total Special Education Cluster		4,230,231	847,772	1,984,804	2,245,427	2,605,391	487,808	0	0
Special Education - Infant and Toddler Formula									
Project No. 171340-1617	84.181	92,489	0	0	92,489	62,629	29,860	0	0
Project No. 161340-1516	84.181	90,579	90,579	90,579	0	90,579	0	0	0
Total		183,068	90,579	90,579	92,489	153,208	29,860	0	0
Career and Technical Education - CTE Perkins									
Project No. 173520-17125	84.048	604,653	0	0	604,653	474,466	130,187	0	487,540
Project No. 163520-16125	84.048	560,323	286,548	560,323	0	286,548	0	0	0
Total		1,164,976	286,548	560,323	604,653	761,014	130,187	0	487,540
Total Passed Through M.D.E.		6,159,530	1,272,854	2,683,661	3,253,099	3,743,576	782,377	0	487,540
U.S. Department of Health and Human Services									
Passed Through Michigan Department of Human Services									
Medicaid Administrative Outreach									
Project No. None	93.778	26,336	0	0	26,336	26,336	0	0	14,064
Total Federal Financial Assistance		\$ 6,185,866	\$ 1,272,854	\$ 2,683,661	\$ 3,279,435	\$ 3,769,912	\$ 782,377	\$ 0	\$ 501,604

(C)

(D)

The accompanying notes are an integral part of this schedule

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	DUE FROM (TO) SUBRECIPIENT JULY 1, 2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CASH TRANSFERRED TO SUBRECIPIENT	SUBRECIPIENT EXPENDITURES	DUE FROM (TO) SUBRECIPIENT JUNE 30, 2017	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Career and Technical Education - CTE Perkins	84.048							
Charlevoix-Emmet ISD		\$ 126,956	\$ 0	\$ 0	\$ 126,956	\$ 126,956	\$ 0	\$ 0
Traverse Bay Area ISD		320,944	0	0	320,944	320,944	0	0
Bear Lake Schools		7,722	0	0	7,722	7,722	0	0
Kaleva Norman Dickson School		7,207	0	0	7,207	7,207	0	0
Onekama Consolidated Schools		10,039	0	0	10,039	10,039	0	0
Manistee Area Public Schools		14,672	0	0	14,672	14,672	0	0
Total U.S. Department of Education		\$ 487,540	\$ 0	\$ 0	\$ 487,540	\$ 487,540	\$ 0	\$ 0
U.S. Department of Health and Human Services								
Passed Through Michigan Department of Human Services								
Medicaid Administrative Outreach	93.778							
Cadillac Area Public Schools		\$ 4,818	\$ 0	\$ 0	\$ 4,818	\$ 4,818	\$ 0	\$ 0
Lake City Area Schools		2,040	0	0	2,040	2,040	0	0
Manton Consolidated Schools		2,141	0	0	2,141	2,141	0	0
Marion Public Schools		582	0	0	582	582	0	0
McBain Rural Agricultural Schools		1,580	0	0	1,580	1,580	0	0
Mesick Consolidated Schools		1,540	0	0	1,540	1,540	0	0
Pine River Area Schools		1,363	0	0	1,363	1,363	0	0
Total U.S. Department of Health and Human Services		\$ 14,064	\$ 0	\$ 0	\$ 14,064	\$ 14,064	\$ 0	\$ 0

The accompanying notes are an integral part of this schedule

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Wexford-Missaukee Intermediate School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Wexford-Missaukee Intermediate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wexford-Missaukee Intermediate School District.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, Cost Principles for States, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. Wexford-Missaukee Intermediate School District has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements (Page 5)	<u>\$ 3,279,435</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,279,435</u>

(D) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District passes through federal funds to sub recipients as noted on the Schedule of Expenditures of Federal Awards Provided to Subrecipients.

Current Cash Payments per Cash Management System (CMS)	\$7,724,841
Add Items Not on CMS Report:	
Medicaid Administrative Outreach	\$ 26,336
State Grants Reported on CMS Report	<u>(3,981,265) (3,954,929)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards	<u>\$3,769,912</u>

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ 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 Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee under 2 CFR Section 200.520? _____ X Yes _____ No

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

