

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT

CADILLAC, MICHIGAN

SINGLE AUDIT

JUNE 30, 2018



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

CERTIFIED PUBLIC ACCOUNTANTS
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WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2018

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August 13, 2018

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, 2018, 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 13, 2018.

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.

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August 13, 2018

**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, 2018. 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, 2018.

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, 2018, 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 13, 2018, 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, 2018

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2017	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2018	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS
U.S. Department of Education									
Direct Award									
Rural Education Achievement Program									
Project No. S358A168068	84.358A	\$ 20,898	\$ 0	\$ 0	\$ 20,898	\$ 20,898	\$ 0	\$ 0	\$ 0
Project No. S358A171701	84.358A	22,272	0	0	22,272	22,272	0	0	0
Total		43,170	0	0	43,170	43,170	0	0	0
Passed Through Central Michigan University									
Title II Part A(3) Improving Teacher Quality									
Project No. 170290-003	84.367B	19,039	0	0	19,039	19,039	0	0	0
Passed Through Michigan Department of Education (M.D.E.)									
Title I Regional Assistance Grant									
Project No. 171570-1617	84.010	182,045	22,346	64,224	234	22,580	0	0	0
Project No. 181570-1718	84.010	201,250	0	0	16,914	16,914	0	0	0
Total		383,295	22,346	64,224	17,148	39,494	0	0	0
Race To The Top - Trusted Advisors									
Project No. 144720-1617	84.412	59,949	0	0	58,144	58,144	0	0	0
Project No. 144720-1617A	84.412	60,000	0	0	57,471	55,147	2,324	0	0
Total		119,949	0	0	115,615	113,291	2,324	0	0
Title II Part B(1) Mathematics and Science									
Project No. MSP2017-152410	84.366	150,080	112,176	112,176	37,904	112,176	37,904	0	0
Special Education - IDEA - Flowthrough									
Project No. 180450-1718	84.027	2,105,215	0	0	2,103,452	1,816,350	287,102	0	0
Project No. 170450-1617	84.027	2,018,486	428,740	2,018,486	0	428,740	0	0	0
Project No. 160450-1516	84.027	1,955,874	10,357	1,955,874	0	10,357	0	0	0
Project No. 170480-1617	84.027	50,000	18,261	50,000	0	18,261	0	0	0
Project No. 170490-1617	84.027	50,000	14,623	50,000	0	14,623	0	0	0
Project No. 180480-EOSD	84.027	50,000	0	0	50,000	48,175	1,825	0	0
Project No. 180491-TC	84.027	50,000	0	0	50,000	42,207	7,793	0	0
Total		6,279,575	471,981	4,074,360	2,203,452	2,378,713	296,720	0	0
Special Education - IDEA - Preschool Grants									
Project No. 180460-1718	84.173	56,495	0	0	56,495	43,919	12,576	0	0
Project No. 170460-1617	84.173	55,871	15,827	55,871	0	15,827	0	0	0
Total		112,366	15,827	55,871	56,495	59,746	12,576	0	0
Total Special Education Cluster		6,391,941	487,808	4,130,231	2,259,947	2,438,459	309,296	0	0

The accompanying notes are an integral part of this schedule

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2017	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2018	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS
Special Education - Infant and Toddler Formula									
Project No. 171340-1617	84.181	92,489	29,860	92,489	0	29,860	0	0	0
Project No. 181340-1718	84.181	90,666	0	0	90,666	90,666	0	0	0
Total		183,155	29,860	92,489	90,666	120,526	0	0	0
Career and Technical Education - CTE Perkins									
Project No. 173520-17125	84.048	604,653	130,187	604,563	0	130,187	0	0	0
Project No. 183520-18125	84.048	545,406	0	0	545,406	493,434	51,972	0	394,787
Total		1,150,059	130,187	604,563	545,406	623,621	51,972	0	394,787
Total Passed Through M.D.E.		8,378,479	782,377	5,003,683	3,066,686	3,447,567	401,496	0	394,787
U.S. Department of Health and Human Services									
Passed Through Michigan Department of Human Services									
Medicaid Administrative Outreach									
Project No. None	93.778	25,300	0	0	25,300	25,300	0	0	13,861
Total Federal Financial Assistance		\$ 8,465,988	\$ 782,377	\$ 5,003,683	\$ 3,154,195	\$ 3,535,076	\$ 401,496	\$ 0	\$ 408,648
					(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, 2018

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	DUE FROM (TO) SUBRECIPIENT JULY 1, 2017	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CASH TRANSFERRED TO SUBRECIPIENT	SUBRECIPIENT EXPENDITURES	DUE FROM (TO) SUBRECIPIENT JUNE 30, 2018	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		\$ 119,535	\$ 0	\$ 0	\$ 119,535	\$ 119,535	\$ 0	\$ 0
Traverse Bay Area ISD		278,425	0	0	240,395	278,425	(38,030)	0
Bear Lake Schools		3,169	0	0	3,169	3,169	0	0
Kaleva Norman Dickson School		2,852	0	0	2,852	2,852	0	0
Onekama Consolidated Schools		7,922	0	0	7,922	7,922	0	0
Manistee Area Public Schools		20,914	0	0	20,914	20,914	0	0
Total U.S. Department of Education		\$ 432,817	\$ 0	\$ 0	\$ 394,787	\$ 432,817	\$ (38,030)	\$ 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		\$ 4,667	\$ 0	\$ 0	\$ 4,667	\$ 4,667	\$ 0	\$ 0
Lake City Area Schools		1,849	0	0	1,849	1,849	0	0
Manton Consolidated Schools		2,219	0	0	2,219	2,219	0	0
Marion Public Schools		761	0	0	761	761	0	0
McBain Rural Agricultural Schools		1,686	0	0	1,686	1,686	0	0
Mesick Consolidated Schools		1,431	0	0	1,431	1,431	0	0
Pine River Area Schools		1,248	0	0	1,248	1,248	0	0
Total U.S. Department of Health and Human Services		\$ 13,861	\$ 0	\$ 0	\$ 13,861	\$ 13,861	\$ 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, 2018

(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, 2018. 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 (Pg. 5)	<u>\$ 3,154,195</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,154,195</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)		\$3,447,565
Add Items Not on CMS Report:		
Medicaid Administrative Outreach	\$ 25,300	
Rural Education Achievement Program	43,170	
Title II Part A(3) - Passed through Central Michigan University	<u>19,039</u>	87,509
Rounding		<u>2</u>
Current Year Receipts (Cash Basis) per		
Schedule of Expenditures of Federal Awards		<u>\$3,535,076</u>

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

