

**ENGADINE CONSOLIDATED SCHOOLS**  
**Mackinac County, Michigan**

Additional Reports Required by  
the Uniform Guidance

For the year ended June 30, 2018

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### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

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**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***

September 25, 2018

The Board of Education  
Engadine Consolidated Schools  
Mackinac County, 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 Engadine Consolidated Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Engadine Consolidated Schools' basic financial statements, and have issued our report thereon dated September 25, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Engadine Consolidated Schools' 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 Engadine Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Engadine Consolidated Schools' 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 Engadine Consolidated Schools' 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.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants  
Grand Rapids, Michigan

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

September 25, 2018

The Board of Education  
Engadine Consolidated Schools  
Mackinac County, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Engadine Consolidated Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Engadine Consolidated Schools' major federal programs for the year ended June 30, 2018. Engadine Consolidated Schools' 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 Engadine Consolidated Schools' 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 Engadine Consolidated Schools' 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 Engadine Consolidated Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Engadine Consolidated Schools 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 Engadine Consolidated Schools 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 Engadine Consolidated Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Engadine Consolidated Schools' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Engadine Consolidated Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of Engadine Consolidated Schools' basic financial statements. We issued our report thereon dated September 25, 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 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 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.



Certified Public Accountants  
Grand Rapids, Michigan

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## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U. S. Department of Education</b>		
Direct Grant:		
P.L. 107-110 Elementary and Secondary Education Act of 1965:		
Small, Rural School Achievement Grant:	84.358A	
S358A173025-1617		\$ 14,975
S358A173025-1718		19,588
Total Small Rural School Grant		34,563
Indian Education:	84.060	
S060A171219 1718		12,037
Total Direct Awards		46,600
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
171530 1617		82,410
181530 1718		104,270
Total Title I		186,680
Title IIA:	84.367	
170520 1617		24,062
180520 1718		24,735
Total Title IIA		48,797
Title IV, Student Support and Academic Enrichment:	84.424A	
180520 1718		10,000
Total Passed Through MDE		245,477

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2018
\$ 3,000	\$ 10,716	\$ 4,259	\$ 7,259	\$ -
-	-	17,318	17,318	-
3,000	10,716	21,577	24,577	-
-	-	12,037	12,037	-
3,000	10,716	33,614	36,614	-
8,272	55,788	14,034	22,306	-
-	-	63,439	42,537	20,902
8,272	55,788	77,473	64,843	20,902
558	13,610	-	558	-
-	-	6,119	-	6,119
558	13,610	6,119	558	6,119
-	-	1,541	1,151	390
8,830	69,398	85,133	66,552	27,411

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
Passed Through Michigan Department of Career Development:		
Adult Education and Family Literacy Instruction:	84.002	
181130-181706		\$ 49,000
181190-181711		9,000
		<u>58,000</u>
Total Adult Education and Family Literacy Instruction		<u>58,000</u>
Passed Through Eastern Upper Peninsula Intermediate School District (EUPISD): Special Education Cluster:		
I.D.E.A. Grants to States:	84.027	
180450-1718		<u>23,618</u>
Total U.S. Department of Education		<u>373,695</u>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		<u>6,700</u>
Cash Assistance:		
1718 Lunch Program	10.555	55,796
1718 Breakfast Program	10.553	<u>22,338</u>
Total Cash Assistance		<u>78,134</u>
Total Nutrition Cluster		<u>84,834</u>
Total U.S. Department of Agriculture		<u>84,834</u>

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2018
\$ -	\$ 116,990	\$ 49,000	\$ 42,526	\$ 6,474
-	25,000	9,000	6,285	2,715
-	141,990	58,000	48,811	9,189
-	-	23,618	14,725	8,893
11,830	222,104	200,365	166,702	45,493
-	-	6,700	6,700	-
-	-	55,796	55,796	-
-	-	22,338	22,338	-
-	-	78,134	78,134	-
-	-	84,834	84,834	-
-	-	84,834	84,834	-

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
Passed Through Upward Talent Council:		
Workforce Innovation and Opportunity Act (WIOA) Cluster:		
WIOA Youth Program:		
CCSS 16-01	17.259	\$ 25,000
WIOA Adult Program:		
CCSS 16-01	17.258	164,000
WIOA Dislocated Worker:		
CCSS 16-01	17.278	182,000
Total WIOA Cluster		371,000
Wagner-Peyser Act:		
Employment Services:		
CCSS 16-01	17.207	63,000
Total Passed Through Upward Talent Council		434,000
<b>Total U.S. Department of Labor</b>		<b>434,000</b>
<b>U.S Department of Health and Human Services</b>		
Passed Through Upward Talent Council:		
Temporary Assistance for Needy Families (TANF):	93.558	344,313
Total Passed Through Upward Talent Council		344,313
<b>Total U.S. Department of Health and Human Services</b>		<b>344,313</b>
<b>Total Federal Financial Assistance</b>		<b>\$ 1,236,842</b>

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2017</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2018</b>
\$ -	\$ 22,884	\$ 21,682	\$ 18,308	\$ 3,374
-	179,929	176,039	155,489	20,550
-	171,637	89,201	78,005	11,196
-	374,450	286,922	251,802	35,120
-	38,418	43,823	41,265	2,558
-	412,868	330,745	293,067	37,678
-	412,868	330,745	293,067	37,678
-	232,965	-	214,001	33,889
-	232,965	247,890	214,001	33,889
-	232,965	247,890	214,001	33,889
\$ 11,830	\$ 867,937	\$ 863,834	\$ 758,604	\$ 117,060

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

#### **Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Engadine Consolidated Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with 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). Because the Schedule presents only a selected portion of the operations of Engadine Consolidated Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows, as applicable, of Engadine Consolidated Schools.

#### **Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* 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.

#### **Note C – Indirect Cost Rate**

Engadine Consolidated Schools has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

#### **Note D – Grant Section Auditor Report**

Management has utilized the MDE Cash Management System (CMS) Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

#### **Note E – Non-Cash Assistance**

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**

**ENGADINE CONSOLIDATED SCHOOLS**  
For the year ended June 30, 2018

**Note F – Federal Income Reconciliation**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Small, Rural School Achievement Grant	\$ 21,577	\$ 21,577	\$ -
Indian Education	12,037	12,037	-
Title I	77,473	77,473	-
Title IIA	6,119	6,119	-
Title IV	1,541	1,541	-
Adult Education	58,000	58,000	-
Special Education Cluster	23,618	23,618	-
Nutrition Cluster	84,834	84,834	-
WIOA Youth Program	21,682	21,682	-
WIOA Adult	176,039	176,039	-
WIOA Dislocated Worker	89,201	89,201	-
Wagner-Peyser Act	43,823	43,823	-
Temporary Assistance for Needy Families (TANF)	247,890	247,890	-
	<u>\$ 863,834</u>	<u>\$ 863,834</u>	<u>\$ -</u>

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

#### **Section I - Summary of Auditor's Results**

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##### ***Financial Statements***

Type of auditor's report issued:

*Unmodified*

Internal control over financial reporting:

- |   |                       |                                    |
|---|-----------------------|------------------------------------|
| • Material weakness(es) identified?       | <u>          </u> Yes | <u>      X      </u> No            |
| • Significant deficiency(ies) identified? | <u>          </u> Yes | <u>      X      </u> None reported |

Noncompliance material to financial statements noted?

<u>          </u> Yes	<u>      X      </u> No
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##### ***Federal Awards***

Internal control over major programs:

- |   |                       |                                    |
|---|-----------------------|------------------------------------|
| • Material weakness(es) identified?       | <u>          </u> Yes | <u>      X      </u> No            |
| • Significant deficiency(ies) identified? | <u>          </u> Yes | <u>      X      </u> None reported |

Type of auditor's report issued on compliance for major programs:

*Unmodified*

Any audit findings disclosed that are required to be reported on accordance with the Uniform Guidance?

<u>          </u> Yes	<u>      X      </u> No
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Identification of major programs audited:

Workforce Innovation Opportunity Act (WIOA) Cluster

<u>17.259</u>	<u>WIOA Youth Program</u>
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<u>17.258</u>	<u>WIOA Adult</u>
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<u>17.278</u>	<u>WIOA Dislocated Worker</u>
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<u>93.558</u>	<u>Temporary Assistance for Needy Families (TANF)</u>
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Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u>          </u> Yes	<u>      X      </u> No
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## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

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#### **Section II - Financial Statements Audit Findings**

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##### **Current Year Findings:**

There were no findings that are required to be reported under Government Auditing Standards.

##### **Prior Year Findings:**

There were no findings that are required to be reported under Government Auditing Standards.

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#### **Section III – Major Federal Award Programs Findings and Questioned Costs**

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##### **Current Year Findings**

There were no findings or questioned costs.

##### **Prior Year Findings**

###### **2017-001    Written Procedures**

Finding Type: Material weakness in internal control over major programs.

Condition and criteria: The District must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The District must have well-written policies and procedures manuals addressing all applicable compliance areas under the Uniform Guidance, for instance, cash draws, procurement, allow-ability of costs, and personnel costs.

Cause: The District had not established written Federal procedures for the WIOA and TANF programs.

Effect: Lack of internal controls could cause recorded transactions to be incorrect, leading to inaccurate financial information and increased risk of fraud.

Context: The District had no established, written policies that it follows with regards to Federal Grant compliance under the Uniform Guidance for the WIOA and TANF programs.

Resolution: The finding has been resolved.

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **ENGADINE CONSOLIDATED SCHOOLS**

For the year ended June 30, 2018

#### **Section III – Major Federal Award Programs Findings and Questioned Costs (Continued)**

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##### **2017-002 Cash Management**

Finding Type: Material weakness and material noncompliance with laws and regulations.

Condition and criteria: In accordance with the Uniform Guidance, a District must maintain a financial management system that provides for the identification in its accounts of all Federal awards received and expended and the Federal programs under which they were received. The District co-mingled grant funds received and expended under the WIOA and TANF programs.

Cause: The District did not maintain separate accounts to record revenues and expenditures associated with the WIOA and TANF programs.

Effect: Co-mingled grant funds could not be traced to determine how they were expended or to ensure that they were expended on allowable costs.

Context: Reimbursements for the WIOA and TANF programs are based on combined expenditures and are received in one lump sum.

Resolution: The finding has been resolved.

##### **2017-003 Activities Allowed or Unallowed/Allowable Cost Principles**

Finding Type: Material weakness and material noncompliance with laws and regulations.

Condition and criteria: In accordance with the Uniform Guidance, a District must support its personnel costs with records that accurately reflect the work performed.

Cause: The District did not have proper time keeping records to support the costs for employees charged to the WIOA and TANF programs.

Effect: Salaries and wages incorrectly charged to a grant may be disallowed.

Context: The District did not have procedures in place to distinguish between time spent by staff working on the TANF and WIOA programs.

Resolution: The finding has been resolved.