

Gratiot-Isabella Regional Education Service District

Federal Awards
(Supplementary Information
to Financial Statements)
June 30, 2019



Gratiot-Isabella Regional Education Service District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2019

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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*

To the Board of Education
Gratiot-Isabella Regional Education Service District

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 Gratiot-Isabella Regional Education Service District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2019.

Internal Control over Financial Reporting

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

Roslund, Prestage & Company, P.C.
Certified Public Accountants
September 23, 2019



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

To the Board of Education
Gratiot-Isabella Regional Education Service District

Report on Compliance for Each Major Federal Program

We have audited Gratiot-Isabella Regional Education Service District's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The 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 the 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 the 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the 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 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 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 the 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 the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gratiot-Isabella Regional Education Service District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 23, 2019, 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.

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.



Roslund, Prestage & Company, P.C.
Certified Public Accountants
September 23, 2019

Gratiot-Isabella Regional Education Service District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

| Federal Grantor / Pass-Through Grantor / Program Title | CFDA Number | Grant / Project Number | Approved Grant Award Amount | Accrued (Deferred) Revenue At 7/1/2018 | Current Year Receipts | Current Year Expenditures | Accrued (Deferred) Revenue At 6/30/2019 | Federal Revenue Recognized | Current Year Cash Transferred to Subrecipient |
|---|----------------|------------------------------|--------------------------------------|---|-----------------------------|---------------------------------|--|----------------------------------|---|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | |
| Passed Through the Michigan Department of Education | | | | | | | | | |
| Special Education Grants to States | a | 84.027A | 170450-1617 | \$ 3,358,297 | \$ 4,852 | \$ 4,852 | \$ - | \$ - | \$ - |
| Special Education Grants to States | a | 84.027A | 180450-1718 | 3,370,070 | 385,135 | 634,155 | - | 249,020 | - |
| Special Education Grants to States | a | 84.027A | 190450-1819 | 3,386,574 | - | 2,661,989 | 434,819 | 3,096,808 | - |
| Special Education Grants to States | a | 84.027A | 190493-1819 | 118,800 | - | 118,800 | - | 118,800 | - |
| Total 84.027 | | | | 10,233,741 | 389,987 | 3,419,796 | 434,819 | 3,464,628 | - |
| Special Education Preschool Grants | a | 84.173A | 180460-1718 | 131,021 | 22,493 | 27,212 | - | 4,719 | - |
| Special Education Preschool Grants | a | 84.173A | 190460-1819 | 133,764 | - | 110,937 | 19,138 | 130,075 | - |
| Total 84.173 | | | | 264,785 | 22,493 | 138,149 | 19,138 | 134,794 | - |
| <i>Total special education cluster</i> | | | | 10,498,526 | 412,480 | 3,557,945 | 453,957 | 3,599,422 | - |
| <i>Early Intervention Services (IDEA)</i> | | | | | | | | | |
| Special Education - Grants for Infants and Families | | 84.181A | 181340-1718 | 113,722 | 3,459 | 3,459 | - | - | - |
| Special Education - Grants for Infants and Families | | 84.181A | 191340-1819 | 115,733 | - | 122,282 | 4,212 | 126,494 | - |
| Total 84.181 | | | | 229,455 | 3,459 | 125,741 | 4,212 | 126,494 | - |
| Career and Technical Education - Basic Grants to States | | 84.048 | 193520-191210 | 490,882 | - | 398,489 | 92,393 | 490,882 | 432,950 |
| Career and Technical Education - Basic Grants to States | | 84.048 | 183520-181210 | 405,464 | 33,391 | 33,391 | - | - | - |
| Total 84.048 | | | | 896,346 | 33,391 | 431,880 | 92,393 | 490,882 | 432,950 |
| Total Passed Through the Michigan Department of Education | | | | 11,624,327 | 449,330 | 4,115,566 | 550,562 | 4,216,798 | 432,950 |
| Passed Through Michigan Fitness Foundation | | | | | | | | | |
| State Adm. Matching Grants for the Suppl. Nutrition Assistance Program Cash assistance | | 10.561 | ADMIN-16-99011-1 | 220,000 | 77,944 | 234,651 | 48,568 | 205,275 | - |
| Total U.S. Department of Education | | | | 11,844,327 | 527,274 | 4,350,217 | 4,422,073 | 599,130 | 4,422,073 |
| NATIONAL ENDOWMENT FOR THE ARTS | | | | | | | | | |
| Passed Through the State of Michigan | | | | | | | | | |
| Promotion of the Arts Partnership Agreements | | 45.025 | 19AE4809ZZ | 16,880 | - | 12,580 | 4,300 | 16,880 | - |
| Total National Endowment for the Arts | | | | 16,880 | - | 12,580 | 4,300 | 16,880 | - |
| U.S. DEPARTMENT OF LABOR | | | | | | | | | |
| Trade Adjustment Assistance - Region 5 (1819) | | 17.245 | 276-67657-96770 | 171,611 | - | 38,633 | 11,119 | 49,752 | - |
| Trade Adjustment Assistance - Region 5 (1718) | | 17.245 | 276-67657-96770 | 151,359 | 16,967 | 42,865 | - | 25,898 | - |
| Total 17.245 | | | | 322,970 | 16,967 | 81,498 | 11,119 | 75,650 | - |
| WIOA Adult Program - Region 5 | b | 17.258 | 276-67485-96770 | 296,726 | 54,087 | 113,341 | - | 59,254 | - |
| WIOA Adult Program - Region 5 | b | 17.258 | 276-67485-96770 | 317,202 | - | 170,818 | 24,373 | 195,191 | - |
| Total 17.258 | | | | 613,928 | 54,087 | 284,159 | 24,373 | 254,445 | - |
| WIOA Dislocated Worker Formula Grants - Region 5 | b | 17.278 | 276-67487-96770 | 292,082 | 24,036 | 73,162 | - | 49,126 | - |
| WIOA Dislocated Worker Formula Grants - Region 5 | b | 17.278 | 276-67487-96770 | 240,010 | - | 92,385 | 25,307 | 117,692 | - |
| Total 17.278 | | | | 532,092 | 24,036 | 165,547 | 25,307 | 166,818 | - |
| WIOA Youth Activities | b | 17.259 | 276-67486-96770 | 478,906 | 48,992 | 140,385 | - | 91,393 | - |
| WIOA Youth Activities | b | 17.259 | 276-67486-96770 | 475,000 | - | 224,784 | 81,579 | 306,363 | - |
| WIOA Youth Activities (Highly Concentrated Youth Activities) | b | 17.259 | 276-67476-96770 | 1,900 | 1,267 | 1,267 | - | - | - |
| WIOA Youth Activities (Highly Concentrated Youth Activities) | b | 17.259 | 276-67476-96770 | 8,286 | - | 33 | 8,253 | 8,286 | - |
| Total 17.259 | | | | 964,092 | 50,259 | 366,469 | 89,832 | 406,042 | - |
| <i>Total WIA cluster</i> | | | | 2,110,112 | 128,382 | 816,175 | 139,512 | 827,305 | - |

See accompanying notes to the schedule of expenditures of federal awards.

Gratiot-Isabella Regional Education Service District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

| Federal Grantor / Pass-Through Grantor / Program Title | CFDA Number | Grant / Project Number | Approved Grant Award Amount | Accrued (Deferred) Revenue At 7/1/2018 | Current Year Receipts | Current Year Expenditures | Accrued (Deferred) Revenue At 6/30/2019 | Federal Revenue Recognized | Current Year Cash Transferred to Subrecipient |
|---|----------------|------------------------------|--------------------------------------|---|-----------------------------|---------------------------------|--|----------------------------------|---|
| Employment Service/Wagner-Peyser Funded Activities - Region 5 | 17.207 | 276-67428-96770 | \$ 99,534 | \$ - | \$ 57,520 | \$ 68,692 | \$ 11,172 | \$ 68,692 | \$ - |
| Employment Service/Wagner-Peyser Funded Activities - Region 5 | 17.207 | 276-67428-96770 | 141,293 | 17,982 | 57,452 | 39,470 | - | 39,470 | - |
| Total 17.207 | | | <u>240,827</u> | <u>17,982</u> | <u>114,972</u> | <u>108,162</u> | <u>11,172</u> | <u>108,162</u> | <u>-</u> |
| Total U.S. Department Of Labor | | | 2,673,909 | 163,331 | 1,012,645 | 1,011,117 | 161,803 | 1,011,117 | - |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | | |
| Temporary Assistance for Needy Families - PATH | 93.558 | 276-67641-96770 | 514,077 | - | 188,532 | 266,016 | 77,484 | 266,016 | - |
| Temporary Assistance for Needy Families - PATH | 93.558 | 276-67641-96770 | 300,989 | 29,570 | 120,477 | 90,907 | - | 90,907 | 53,140 |
| Temporary Assistance for Needy Families - PATH - ESS | 93.558 | 276-67638-96770-15 | 27,024 | - | 6,061 | - | (6,061) | - | - |
| Total 93.558 | | | <u>842,090</u> | <u>29,570</u> | <u>315,070</u> | <u>356,923</u> | <u>71,423</u> | <u>356,923</u> | <u>53,140</u> |
| Passed Through The Michigan Department of Health and Human Services | | | | | | | | | |
| Medical Assistance Program | 93.778 | N/A | - | 15,184 | 55,266 | 40,082 | - | 40,082 | - |
| Total U.S. Department Of Health and Human Services (HHS) | | | 842,090 | 44,754 | 370,336 | 397,005 | 71,423 | 397,005 | 53,140 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| State Adm. Matching Grants for the Suppl. Nutrition Assistance Program - FAET | 10.561 | 276-67606-96770 | 37,267 | 2,628 | 10,206 | 7,578 | - | 7,578 | 4,759 |
| State Adm. Matching Grants for the Suppl. Nutrition Assistance Program - FAET | 10.561 | 276-67606-96770 | 31,568 | - | 14,166 | 18,515 | 4,349 | 18,515 | - |
| State Adm. Matching Grants for the Suppl. Nutrition Assistance Program - FAET | 10.561 | 276-67607-96770 | 3,834 | - | 299 | 299 | - | 299 | 299 |
| State Adm. Matching Grants for the Suppl. Nutrition Assistance Program - FAET | 10.561 | 276-67607-96770 | 2,834 | - | 553 | 1,532 | 979 | 1,532 | - |
| Total 10.561 | | | <u>75,503</u> | <u>2,628</u> | <u>25,224</u> | <u>27,924</u> | <u>5,328</u> | <u>27,924</u> | <u>5,058</u> |
| Total U.S. Department Of Agriculture | | | 75,503 | 2,628 | 25,224 | 27,924 | 5,328 | 27,924 | 5,058 |
| TOTALS | | | \$ 15,452,709 | \$ 737,987 | \$ 5,771,002 | \$ 5,874,999 | \$ 841,984 | \$ 5,874,999 | \$ 491,148 |

(a) indicates programs included under the special education cluster
(b) indicates programs included under the WIA cluster

Gratiot-Isabelle Regional Education Service District
Schedule of Expenditures of Federal Awards - Subrecipients
For The Year Ended June 30, 2019

| Federal Grantor / Pass-Through Grantor / Program Title | Federal CFDA Number | Subrecipient award/ contract Amount | Subrecipient Current Year Expenditures | Current Year Cash Transferred to Subrecipient |
|---|---------------------------|--|--|--|
| Vocational Education - Basic Grants to State (CTE Perkins): | 84.048 | | | |
| Passed Through To: | | | | |
| Ionia County Intermediate School District | | \$ 118,647 | \$ 118,647 | \$ 118,647 |
| Montcalm Area Intermediate School District | | 185,486 | 185,486 | 185,486 |
| Mount Pleasant Public Schools | | <u>128,817</u> | <u>128,817</u> | <u>128,817</u> |
| Total Vocational Education - Basic Grants to State (CTE Perkins) Passed Through to Subrecipients | | <u>432,950</u> | <u>432,950</u> | <u>432,950</u> |
| U.S. Dept. of Health and Human Services / Temporary Assistance for Needy Families - PATH: | 93.558 | | | |
| Passed Through To: | | | | |
| Mid-Michigan Industries | | <u>53,140</u> | <u>53,140</u> | <u>53,140</u> |
| Total U.S. Dept. of Health and Human Services / Temporary Assistance for Needy Families - PATH Passed Through to Subrecipients | | <u>53,140</u> | <u>53,140</u> | <u>53,140</u> |
| U.S. Dept. of Agriculture / Supplemental Nutrition Assistance Program/Support Services Program - FAET: | 10.561 | | | |
| Passed Through To: | | | | |
| Mid-Michigan Industries | | <u>5,058</u> | <u>5,058</u> | <u>5,058</u> |
| Total U.S. Dept. of Agriculture / Supplemental Nutrition Assistance Program/Support Services Program - FAET: Passed Through to Subrecipients | | <u>5,058</u> | <u>5,058</u> | <u>5,058</u> |
| Totals | | <u>\$ 491,148</u> | <u>\$ 491,148</u> | <u>\$ 491,148</u> |

See accompanying notes to the schedule of expenditures of federal awards.

Gratiot-Isabella Regional Education Service District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Gratiot-Isabella Regional Education Service District under programs of the federal government for the year ended June 30, 2019. The information in this schedule 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). Because the schedule presents only a selected portion of the operations of Gratiot-Isabella Regional Education Service District, it is not intended to and does not present its financial position or changes in net position of Gratiot-Isabella Regional Education Service District.

Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 2 – 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 Uniform Guidance, 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. Gratiot-Isabella Regional Education Service District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenues in the following funds in the financial statements of Gratiot-Isabella Regional Education Service District:

| Fund | Amount |
|----------------------------|-----------|
| Special Education Fund | 3,725,916 |
| Vocational Education Fund | 490,882 |
| Cooperative Education Fund | 262,237 |
| Funded Projects Fund | 1,395,964 |
| Total | 5,874,999 |

Gratiot-Isabella Regional Education Service District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

- 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 program:

- 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 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|--------------------------------------|---|
| 17.258, 17.259, and 17.278 84.048 | WIA Cluster Career and Technical Education |

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

• Auditee qualified as low-risk auditee? X Yes ___ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Gratiot-Isabella Regional Education Service District
Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

There were no audit findings in the prior year.