

**Gratiot-Isabella Regional
Education Service District
Ithaca, Michigan**

Federal Awards
(Supplementary Information
To Financial Statements)
June 30, 2015



Gratiot-Isabella Regional Education Service District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2015.

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.

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 22, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Gratiot-Isabella Regional Education Service District
Ithaca, Michigan

Report on Compliance for Each Major Federal Program

We have audited Gratiot-Isabella Regional Education Service District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, Gratiot-Isabella Regional Education Service 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 22, 2015, 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 OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

October 22, 2015

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2014	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2015	Federal Revenue Recognized
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Passed Through the Michigan Department of Education								
Improving Teacher Quality State Grants	84.367	150520 - 1415	754	\$ -	\$ -	\$ 528	\$ 528	\$ 528
Title I Grants to Local Educational Agencies	84.010	151570 - 14 - 15	5,687	-	5,687	5,687	-	5,687
<i>Special Education Cluster</i>								
Special Education Grants to States								
Special Education Grants to States	a 84.027A	150450 - 14 -15	3,262,040	-	2,212,551	2,893,928	681,377	2,893,928
Special Education Grants to States	a 84.027A	140450-1314	3,188,352	662,924	689,162	26,238	-	26,238
Special Education Grants to States	a 84.027A	130450-1213	3,291,227	88,342	88,342	-	-	-
Special Education Grants to States	a 84.027A	150480-EOSD	50,000	2,104	47,286	50,000	4,818	50,000
Special Education Grants to States	a 84.027A	150490-TC	58,000	415	52,633	58,000	5,782	58,000
Total 84.027				753,785	3,089,974	3,028,166	691,977	3,028,166
Special Education - Preschool Grants	a 84.173	140460-1314	127,141	29,350	29,350	-	-	-
Special Education - Preschool Grants	a 84.173	150460-1415	127,369	-	93,448	127,369	33,921	127,369
Total 84.173				29,350	122,798	127,369	33,921	127,369
Total special education cluster				783,135	3,212,772	3,155,535	725,898	3,155,535
<i>Early Intervention Services (IDEA)</i>								
Special Education - Grants for Infants and Families	84.181A	151340 - 1415	144,047	-	113,157	126,735	13,578	126,735
Special Education - Grants for Infants and Families	84.181A	141340 - 1314	140,062	15,557	15,557	-	-	-
Total 84.181				15,557	128,714	126,735	13,578	126,735
Total Passed Through the Michigan Department of Education				798,692	3,347,173	3,288,485	740,004	3,288,485
Passed Through Michigan Fitness Foundation								
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - cash assistance	10.561		218,044	52,994	182,865	221,555	91,684	221,555
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - noncash assistance (COMMODITIES)	10.561		217,018	69,535	126,485	56,950	-	56,950
Total 10.561				122,529	309,350	278,505	91,684	278,505
Total U.S. Department of Education				921,221	3,656,523	3,566,990	831,688	3,566,990
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>								
Passed Through the State of Michigan								
Promotion of the Arts - Partnership Agreements	45.025			-	9,868	9,868	-	9,868
				-	9,868	9,868	-	9,868
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Passed Through The State Of Michigan Department of Health and Human Services								
Medical Assistance Program	93.778			\$ -	\$ 60,270	\$ 60,270	\$ -	\$ 60,270

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2014	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2015	Federal Revenue Recognized
U.S. DEPARTMENT OF LABOR								
Passed Through Central Area Michigan Works Consortium:								
Trade Adjustment Assistance	17.245	NA		\$ 123,792	\$ 292,664	\$ 180,667	\$ 11,795	\$ 180,667
WIOA National Dislocated Worker Grants / WIA National Emergency Grant	17.277	NA	55,172	7,438	7,438	-	-	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant	17.277	NA	151,193	-	47,962	54,678	6,716	54,678
Total 17.277				7,438	55,400	54,678	6,716	54,678
<i>WIA Cluster</i>								
WIA/WIOA Adult Program	b 17.258	NA	699,883	96,000	712,637	677,226	60,589	677,226
WIA/WIOA Dislocated Worker Formula Grants	b 17.278	NA	208,019	46,510	212,591	203,743	37,662	203,743
Total WIA cluster				142,510	925,228	880,969	98,251	880,969
Employment Service/Wagner-Peyser Funded Activities	17.207	NA	294,199	20,555	281,924	294,199	32,830	294,199
Total U.S. Department Of Labor				294,295	1,555,216	1,410,513	149,592	1,410,513
TOTALS				\$ 1,215,516	\$ 5,281,877	\$ 5,047,641	\$ 981,280	\$ 5,047,641

(a) indicates programs included under the special education cluster

(b) indicates programs included under the WIA cluster

Gratiot-Isabella Regional Education Service District
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the grant activity of Gratiot-Isabella Regional Education Service District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

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 OMB Circular A-87, *Cost Principles for State, 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.

NOTE 3 – GRANT AUDITOR REPORT

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

NOTE 4 – OTHER

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

General Fund:	\$ 5,687
Special Education Fund:	3,282,270
Cooperative Education Fund:	349,171
Funded Projects Fund:	<u>1,410,513</u>
Total	<u>\$5,047,641</u>

Gratiot-Isabella Regional Education Service District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ No
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ No

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 section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.181 84.027 and 84.173 10.561	Special Education – Grants for Infants and Families Special Education Cluster Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between
type A and type B programs:

\$300,000

• Auditee qualified as low-risk auditee? ☒ Yes ☐ No

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None