

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

Federal Awards
(Supplementary Information
To Financial Statements)
June 30, 2016



Gratiot-Isabella Regional Education Service District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2016

Table of Contents

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 1

Report on Compliance for Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance2-3

Schedule of Expenditures of Federal Awards4-5

Notes to the Schedule of Expenditures of Federal Awards..... 6

Schedule of Findings and Questioned Costs 7



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, 2016, 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 20, 2016.

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 20, 2016



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) 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, 2016. 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, 2016.

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 20, 2016, 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

October 20, 2016

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 7/1/2015	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2016	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
U.S. DEPARTMENT OF EDUCATION									
Passed Through the Michigan Department of Education									
Supporting Effective Instruction State Grant	84.367A	160520-1516	\$ 937	\$ 528	\$ 528	\$ 792	\$ 792	\$ 792	\$ -
Title I Grants to Local Educational Agencies	84.010	161570-15-16	6,498	-	-	3,365	\$ 3,365	3,365	-
<i>Special Education Cluster</i>									
Special Education Grants to States	a 84.027A	160450-15-16	3,284,535	-	1,916,764	3,107,480	1,190,716	3,107,480	-
Special Education Grants to States	a 84.027A	150450-14-15	3,262,040	681,377	887,731	368,112	161,758	368,112	-
Special Education Grants to States	a 84.027A	160480-1112	50,000	4,818	41,768	50,000	13,050	50,000	-
Special Education Grants to States	a 84.027A	160490-TC	58,000	5,782	49,950	58,000	13,832	58,000	-
Total 84.027				691,977	2,896,213	3,583,592	1,379,356	3,583,592	-
Special Education - Preschool Grants	a 84.173A	160460-1516	127,515	33,921	109,482	127,515	51,954	127,515	-
Total 84.173				33,921	109,482	127,515	51,954	127,515	-
<i>Total special education cluster</i>									
				725,898	3,005,695	3,711,107	1,431,310	3,711,107	-
<i>Early Intervention Services (IDEA)</i>									
Special Education - Grants for Infants and Families	84.181A	161340-1516	127,304	13,578	105,615	121,488	29,451	121,488	-
Total 84.181				13,578	105,615	121,488	29,451	121,488	-
Total Passed Through the Michigan Department of Education									
				740,004	3,111,838	3,836,752	1,464,918	3,836,752	-
Passed Through Michigan Fitness Foundation									
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - cash assistance	10.561	ADMIN-15-99011	218,014	91,684	234,040	197,923	55,567	197,923	-
Total 10.561				91,684	234,040	197,923	55,567	197,923	-
Passed Through Montcalm Area ISD									
Career and Technical Education - Basic Grants to States	84.048	NA	4,788	-	-	4,788	4,788	4,788	-
Total U.S. Department of Education									
				831,688	3,345,878	4,039,463	1,525,273	4,039,463	-
NATIONAL ENDOWMENT FOR THE ARTS									
Passed Through the State of Michigan									
Promotion of the Arts - Partnership Agreements	45.025			-	9,493	9,493	-	9,493	-
				-	9,493	9,493	-	9,493	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through The State Of Michigan Department of Health and Human Services									
Medical Assistance Program	93.778			-	36,637	36,637	-	36,637	-
U.S. DEPARTMENT OF LABOR									
Trade Adjustment Assistance - CAMWC	17.245	NA		11,795	11,795	-	-	-	-
Trade Adjustment Assistance - CAMWC	17.245	1482		-	36,812	36,812	-	36,812	-
Trade Adjustment Assistance - Region 4	17.245	1382		-	3,320	16,599	13,279	16,599	-
Trade Adjustment Assistance - Region 5	17.245	276-67637-96770		-	626	1,727	1,101	1,727	-
Total 17.245				11,795	52,553	55,138	14,380	55,138	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - JD NEG - CAMWC	17.277			6,716	6,716	-	-	-	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - JD NEG - CAMWC	17.277	1442		-	10,586	10,586	-	10,586	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - JD NEG - Region 5	17.277	276-67495-96770		-	11,427	22,826	11,399	22,826	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - SP NEG - Region 5	17.277	276-67493-96770		-	703	13,350	12,647	13,350	-
Total 17.277				6,716	29,432	46,762	24,046	46,762	-

The accompanying notes are an integral part of this schedule.

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 7/1/2015	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2016	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
<i>WIA Cluster</i>									
WIA/WIOA Adult Program - CAMWC	b	17.258	NA	\$ 60,589	\$ 60,589	\$ -	\$ -	\$ -	\$ -
WIA/WIOA Adult Program - CAMWC	b	17.258	1531	-	70,977	70,977	-	70,977	-
WIA/WIOA Adult Program - CAMWC	b	17.258	1532	-	83,449	83,449	-	83,449	-
WIA/WIOA Adult Program - Region 4	b	17.258	1532.01	-	181,716	241,311	59,595	241,311	-
WIA/WIOA Adult Program - Region 5	b	17.258	276-67485-96770	-	184,334	325,572	141,238	325,572	-
WIA/WIOA Adult Program - RESEA Montcalm/Ionia	b	17.258	RESEA	-	3,547	3,870	323	3,870	-
WIA/WIOA Adult Program - RESEA Gratiot/Isabella	b	17.258	276-67614-96770	497	-	497	-	497	-
WIA/WIOA Adult Program - WIOA Service Center	b	17.258	276-67451-96770	2,079	-	2,079	2,079	2,079	-
WIA/WIOA Adult Program - WIOA Service Center	b	17.258	276-67451-96770	2,011	-	2,011	2,011	2,011	-
Total 17.258				60,589	585,109	729,766	205,246	729,766	-
WIA/WIOA Dislocated Worker Formula Grants - CAMWC	b	17.278	NA	37,662	37,662	-	-	-	-
WIA/WIOA Dislocated Worker Formula Grants - CAMWC	b	17.278	1541	-	30,573	30,573	-	30,573	-
WIA/WIOA Dislocated Worker Formula Grants - CAMWC	b	17.278	1542	-	24,757	24,757	-	24,757	-
WIA/WIOA Dislocated Worker Formula Grants - Region 4	b	17.278	1542.01	-	103,130	107,628	4,498	107,628	-
WIA/WIOA Dislocated Worker Formula Grants - Region 5	b	17.278	276-67487-96770	-	126,546	186,599	60,053	186,599	-
WIA/WIOA Dislocated Worker Formula Grants - WIOA Service Center	n	17.278	276-67451-96770	2,888	-	2,888	2,888	2,888	-
WIA/WIOA Dislocated Worker Formula Grants - WIOA Service Center	b	17.278	276-67451-96770	2,792	-	2,792	2,792	2,792	-
Total 17.278				37,662	322,668	355,237	70,231	355,237	-
WIA/WIOA Youth Activities	b	17.259	276-67486-96770	687,335	-	226,942	339,910	112,968	339,910
WIA/WIOA Youth Activities - WIOA Service Center	b	17.259	276-67451-96770	2,252	-	2,252	2,252	2,252	-
WIA/WIOA Youth Activities - WIOA Service Center	b	17.259	276-67451-96770	2,178	-	2,178	2,178	2,178	-
WIA/WIOA Youth Activities - Youth HC (Highly Concentrated Youth Activities)	b	17.259	276-67476-96770	2,809	-	569	2,809	2,240	2,809
Total 17.259				-	227,511	347,149	119,638	347,149	-
<i>Total WIA cluster</i>				98,251	1,135,288	1,432,152	395,115	1,432,152	-
Employment Service/Wagner-Peyser Funded Activities - CAMWC		17.207	NA	32,830	32,830	-	-	-	-
Employment Service/Wagner-Peyser Funded Activities - CAMWC		17.207	1521	-	25,191	25,191	-	25,191	-
Employment Service/Wagner-Peyser Funded Activities - CAMWC		17.207	1522	-	32,647	32,647	-	32,647	-
Employment Service/Wagner-Peyser Funded Activities - Region 4		17.207	1521.01	-	55,323	57,087	1,764	57,087	-
Employment Service/Wagner-Peyser Funded Activities - Region 5		17.207		-	52,433	62,597	10,164	62,597	-
Total 17.207				32,830	198,424	177,522	11,928	177,522	-
Total U.S. Department Of Labor				149,592	1,415,697	1,711,574	445,469	1,711,574	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)									
Block Grants for Comm. Mental Health Services - Temporary Assistance for Needy Families - PATH		93.558	276-67641-96770	-	142,997	201,114	58,117	201,114	152,241
Block Grants for Comm. Mental Health Services - PATH - ESS		93.558	276-67638-96770-15	-	-	13,341	13,341	13,341	13,341
Total U.S. Department Of Health and Human Services (HHS)				-	142,997	214,455	71,458	214,455	165,582
U.S. DEPARTMENT OF AGRICULTURE									
State Admin. Matching Grants for the Supp. Nutrition Assistance Program - FAET		10.561	276-67606-96770	-	14,762	17,941	3,179	17,941	11,097
State Admin. Matching Grants for the Supp. Nutrition Assistance Program - Sup. Serv. - FAET		10.561	276-67607-96770	-	199	506	307	506	506
Total U.S. Department Of Agriculture				-	14,961	18,447	3,486	18,447	11,603
TOTALS				\$ 981,280	\$ 4,965,663	\$ 6,030,069	\$ 2,045,686	\$ 6,030,069	\$ 177,185

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

The accompanying notes are an integral part of this schedule.

Gratiot-Isabella Regional Education Service District
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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, 2016. 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.

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. 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 – GRANT AUDITOR REPORT

Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District passes through federal funds to subrecipients as indicated on the schedule.

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:	\$ 3,365
Special Education Fund:	3,832,596
Vocational Education Fund:	4,788
Cooperative Education Fund:	244,844
Funded Projects Fund:	<u>1,944,476</u>
Total	<u>\$6,030,069</u>

Gratiot-Isabella Regional Education Service District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016

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 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, 17.278, 17.259 93.558	WIA Cluster Block Grants for Community Mental Health Services

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