

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

Federal Awards  
(Supplementary Information  
To Financial Statements)  
*June 30, 2017*



Gratiot-Isabella Regional Education Service District  
Federal Awards  
Supplementary Information to Financial Statements  
June 30, 2017

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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, 2017, 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 29, 2017.

**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 &amp; Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
September 29, 2017



## 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, 2017. 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, 2017.

### **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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 29, 2017, 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 29, 2017

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2017	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
<b>U.S. DEPARTMENT OF EDUCATION</b>									
<b>Passed Through the Michigan Department of Education</b>									
Supporting Effective Instruction State Grants	84.367A	160520-1516	937	\$ 792	\$ 792	\$ -	\$ -	\$ -	\$ -
Supporting Effective Instruction State Grants	84.367	170520-1617	857	-	-	857	857	857	-
Total 84.367				792	792	857	857	857	-
Title I Grants to Local Educational Agencies	84.010	161570-1516	6,498	3,365	3,365	-	-	-	-
Title I Grants to Local Educational Agencies	84.010A	171570-1617	9,635	-	-	6,599	6,599	6,599	-
Total 84.010				3,365	3,365	6,599	6,599	6,599	-
<i>Special Education Cluster</i>									
Special Education Grants to States	a 84.027A	170450-1617	3,358,297	-	2,718,530	3,219,759	501,229	3,219,759	-
Special Education Grants to States	a 84.027A	160450-1516	3,284,535	1,190,716	1,367,771	177,055	-	177,055	-
Special Education Grants to States	a 84.027A	150450-1415	3,262,040	161,758	161,758	-	-	-	-
Special Education Grants to States	a 84.027A	160480-1112	50,000	13,050	13,050	-	-	-	-
Special Education Grants to States	a 84.027A	170480-1617	50,000	-	48,702	50,000	1,298	50,000	-
Special Education Grants to States	a 84.027A	160490-TC	58,000	13,832	13,832	-	-	-	-
Special Education Grants to States	a 84.027A	170490-1617	58,000	-	56,500	58,000	1,500	58,000	-
Total 84.027				1,379,356	4,380,143	3,504,814	504,027	3,504,814	-
Special Education - Preschool Grants	a 84.173A	160460-1516	127,515	51,954	51,954	-	-	-	-
Special Education - Preschool Grants	a 84.173A	170460-1617	131,107	-	107,633	131,107	23,474	131,107	-
Total 84.173				51,954	159,587	131,107	23,474	131,107	-
<i>Total special education cluster</i>				1,431,310	4,539,730	3,635,921	527,501	3,635,921	-
<i>Early Intervention Services (IDEA)</i>									
Special Education - Grants for Infants and Families	84.181A	161340-1516	127,304	29,451	29,451	-	-	-	-
Special Education - Grants for Infants and Families	84.181A	171340-1617	119,252	-	49,923	51,795	1,872	51,795	-
Total 84.181				29,451	79,374	51,795	1,872	51,795	-
<b>Total Passed Through the Michigan Department of Education</b>				<b>1,464,918</b>	<b>4,623,261</b>	<b>3,695,172</b>	<b>536,829</b>	<b>3,695,172</b>	<b>-</b>
<b>Passed Through Michigan Fitness Foundation</b>									
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - cash assistance	10.561	ADMIN-17-99011	185,500	55,567	182,798	186,109	58,878	186,109	-
<b>Passed Through Montcalm Area ISD</b>									
Career and Technical Education - Basic Grants to States	84.048	NA	5,069	4,788	9,857	5,069	-	5,069	-
<b>Total U.S. Department of Education</b>				<b>1,525,273</b>	<b>4,815,916</b>	<b>3,886,350</b>	<b>595,707</b>	<b>3,886,350</b>	<b>-</b>
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>									
<b>Passed Through the State of Michigan</b>									
Promotion of the Arts - Partnership Agreements	45.025		10,839	-	10,839	10,839	-	10,839	-
				-	10,839	10,839	-	10,839	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
<b>Passed Through The State Of Michigan Department of Health and Human Services</b>									
Medical Assistance Program	93.778			-	54,204	54,204	-	54,204	-

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, 2017

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2017	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
<b>U.S. DEPARTMENT OF LABOR</b>									
Trade Adjustment Assistance - CAMWC	17.245	1482		\$ 13,279	\$ 13,279	\$ -	\$ -	\$ -	\$ -
Trade Adjustment Assistance - Region 4 (1516)	17.245	1382	22,275	-	21,336	21,336	-	21,336	-
Trade Adjustment Assistance - Region 4 (1617)	17.245	1482		-	10,418	21,248	10,830	21,248	-
Trade Adjustment Assistance - Region 5 (1617)	17.245	276-67657-96770	111,648	-	70,777	91,636	20,859	91,636	-
Trade Adjustment Assistance - Region 5 (1516)	17.245	276-67637-96770		1,101	40,688	39,587	-	39,587	-
Total 17.245				14,380	156,498	173,807	31,689	173,807	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant:									
SP NEG - Region 5	17.277	276-67493-96770	132,089	-	20,032	52,853	32,821	52,853	-
JD NEG - Region 5	17.277	276-67495-96770		11,399	13,369	1,970	-	1,970	-
SP NEG - Region 5	17.277	276-67493-96770		12,647	14,261	1,614	-	1,614	-
Total 17.277				24,046	47,662	56,437	32,821	56,437	-
<i>WIA Cluster</i>									
WIA/WIOA Adult Program - Region 4	b 17.258	1532.01	295,148	-	205,726	268,316	62,590	268,316	-
WIA/WIOA Adult Program - Region 4	b 17.258	1532.01		59,595	59,595	-	-	-	-
WIA/WIOA Adult Program - Region 5	b 17.258	276-67485-96770		141,238	293,006	151,768	-	151,768	-
WIA/WIOA Adult Program - Region 5	b 17.258	276-67485-96770	433,603	-	223,402	268,197	44,795	268,197	-
RESEA Montcalm/Ionia - Adult	b 17.258	RESEA		323	323	-	-	-	-
RESEA Montcalm/Ionia - Adult	b 17.258	RESEA		-	2,902	7,095	4,193	7,095	-
RESEA Gratiot/Isabella - Adult	b 17.258	276-67614-96770		-	-	-	-	-	-
WIA Service Center - Adult	b 17.258	276-67451-96770	2,079	2,079	2,079	-	-	-	-
WIOA Service Center - Adult	b 17.258	276-67481-96770	18,016	-	15,771	18,016	2,245	18,016	-
WIOA Service Center - Adult	b 17.258	276-67451-96770	2,011	2,011	2,011	-	-	-	-
Total 17.258				205,246	804,815	713,392	113,823	713,392	-
WIA/WIOA Dislocated Worker Formula Grants - Region 4	b 17.278	1541.01	112,867	4,498	79,873	102,076	26,701	102,076	-
WIA/WIOA Dislocated Worker Formula Grants - Region 5	b 17.278	276-67487-96770		60,053	76,308	16,255	-	16,255	-
WIA/WIOA Dislocated Worker Formula Grants - Region 5	b 17.278	276-67487-96770	324,636	-	168,254	193,958	25,704	193,958	-
WIA Service Center - Dislocated Worker	n 17.278	276-67451-96770	2,888	2,888	2,888	-	-	-	-
WIOA Service Center - Dislocated Worker	b 17.278	276-67481-96770	24,002	-	21,011	24,002	2,991	24,002	-
WIOA Service Center - Dislocated Worker	b 17.278	276-67451-96770	2,792	2,792	2,792	-	-	-	-
Total 17.278				70,231	351,126	336,291	55,396	336,291	-
WIOA Youth Activities	b 17.259	276-67486-96770		112,968	285,871	172,903	-	172,903	-
WIOA Youth Activities	b 17.259	276-67486-96770	364,629	-	236,779	254,766	17,987	254,766	-
WIA Service Center - Youth	b 17.259	276-67451-96770	2,252	2,252	2,252	-	-	-	-
WIOA Service Center - Youth	b 17.259	276-67481-96770	19,682	-	17,230	19,682	2,452	19,682	-
WIOA Service Center - Youth	b 17.259	276-67451-96770	2,178	2,178	2,178	-	-	-	-
Youth HC (Highly Concentrated Youth Activities)	b 17.259	276-67476-96770	3,250	2,240	3,497	3,250	1,993	3,250	-
Total 17.259				119,638	547,807	450,601	22,432	450,601	-
<i>Total WIA cluster</i>				395,115	1,703,748	1,500,284	191,651	1,500,284	-
Employment Service/Wagner-Peyser Funded Activities - Region 4	17.207	1521.01	90,666	-	70,185	89,787	19,602	89,787	-
Employment Service/Wagner-Peyser Funded Activities - Region 4	17.207	1521.01		1,764	1,764	-	-	-	-
Employment Service/Wagner-Peyser Funded Activities - Region 5	17.207	276-67428-96770	102,186	-	62,124	70,305	8,181	70,305	-
Employment Service/Wagner-Peyser Funded Activities - Region 5	17.207	276-67428-96770		10,164	30,101	19,937	-	19,937	-
Total 17.207				11,928	164,174	180,029	27,783	180,029	-
<b>Total U.S. Department Of Labor</b>				445,469	2,072,082	1,910,557	283,944	1,910,557	-

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, 2017

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2017	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</u></b>									
Temporary Assistance for Needy Families - PATH	93.558	276-67641-96770		\$ 58,117	\$ 179,573	\$ 121,456	\$ -	\$ 121,456	\$ 84,493
Temporary Assistance for Needy Families - PATH	93.558	276-67641-96770	300,989	-	188,253	191,416	3,163	191,416	145,699
PATH - ESS	93.558	276-67638-96770-15	25,133	-	-	25,133	25,133	25,133	25,133
PATH - ESS	93.558	276-67638-96770-15		13,341	18,063	4,722	-	4,722	4,722
<b>Total U.S. Department Of Health and Human Services (HHS)</b>				<b>71,458</b>	<b>385,889</b>	<b>342,727</b>	<b>28,296</b>	<b>342,727</b>	<b>260,047</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>									
Supplemental Nutrition Assistance Program - FAET	10.561	276-67606-96770		3,179	4,117	938	-	938	640
Supplemental Nutrition Assistance Program - FAET	10.561	276-67606-96770	21,740	-	12,779	14,432	1,653	14,432	9,207
Supplemental Nutrition Assistance Program Support Services - FAET	10.561	276-67607-96770		307	396	89	-	89	89
Supplemental Nutrition Assistance Program Support Services - FAET	10.561	276-67607-96770	1,197	-	791	791	-	791	791
<b>Total U.S. Department Of Agriculture</b>				<b>3,486</b>	<b>18,083</b>	<b>16,250</b>	<b>1,653</b>	<b>16,250</b>	<b>10,727</b>
<b>TOTALS</b>				<b>\$ 2,045,686</b>	<b>\$ 7,357,013</b>	<b>\$ 6,220,927</b>	<b>\$ 909,600</b>	<b>\$ 6,220,927</b>	<b>\$ 270,774</b>

(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, 2017

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**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, 2017. 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 does not pass through federal funds.

**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:	\$ 6,599
Special Education Fund:	3,687,716
Vocational Education Fund:	5,069
Cooperative Education Fund:	252,009
Funded Projects Fund:	<u>2,269,534</u>
 Total	 <u>\$6,220,927</u>

Gratiot-Isabella Regional Education Service District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2017

**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
84.027 and 84.173 10.561	Special Education Cluster Supplemental Nutrition Assistance Program

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**