

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

Federal Awards
(Supplementary Information
To Financial Statements)
June 30, 2018



Gratiot-Isabella Regional Education Service District
Federal Awards
Supplementary Information to Financial Statements
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2018, 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 10, 2018.

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
October 10, 2018



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, 2018. 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, 2018.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 1, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

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

October 10, 2018

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2017	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2018	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 Grants	84.367	170520-1617	857	\$ 857	\$ 857	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010A	171570-1617	9,635	6,599	6,599	-	-	-	-
<i>Special Education Cluster</i>									
Special Education Grants to States	a 84.027A	170450-1617	3,358,297	501,229	634,915	138,538	4,852	138,538	-
Special Education Grants to States	a 84.027A	180450-1718	3,370,070	-	2,735,915	3,121,050	385,135	3,121,050	-
Special Education Grants to States	a 84.027A	180480-EOSD	50,000	-	50,000	50,000	-	50,000	-
Special Education Grants to States	a 84.027A	170480-1617	50,000	1,298	1,298	-	-	-	-
Special Education Grants to States	a 84.027A	180491-TC	58,000	-	58,000	58,000	-	58,000	-
Special Education Grants to States	a 84.027A	170490-1617	58,000	1,500	1,500	-	-	-	-
Total 84.027				504,027	3,481,628	3,367,588	389,987	3,367,588	-
Special Education Preschool Grants	a 84.173A	180460-1718	131,021	-	103,809	126,302	22,493	126,302	-
Special Education Preschool Grants	a 84.173A	170460-1617	131,107	23,474	23,474	-	-	-	-
Total 84.173				23,474	127,283	126,302	22,493	126,302	-
<i>Total special education cluster</i>				527,501	3,608,911	3,493,890	412,480	3,493,890	-
<i>Early Intervention Services (IDEA)</i>									
Special Education - Grants for Infants and Families	84.181A	181340-1718	113,722	-	93,400	96,859	3,459	96,859	-
Special Education - Grants for Infants and Families	84.181A	171340-1617	127,304	1,872	1,872	-	-	-	-
Total 84.181				1,872	95,272	96,859	3,459	96,859	-
Career and Technical Education - Basic Grants to States (CTE Perkins)	84.048	183520-181210	405,464	-	372,070	405,461	33,391	405,461	343,132
Total Passed Through the Michigan Department of Education				536,829	4,083,709	3,996,210	449,330	3,996,210	343,132
Passed Through Michigan Fitness Foundation									
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - cash assistance	10.561	ADMIN-16-99011-1	200,000	58,878	192,637	211,703	77,944	211,703	-
Total U.S. Department of Education				595,707	4,276,346	4,207,913	527,274	4,207,913	343,132
NATIONAL ENDOWMENT FOR THE ARTS									
Passed Through the State of Michigan									
Promotion of the Arts Partnership Agreements	45.025		14,280	-	14,280	14,280	-	14,280	-
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			-	32,078	47,262	15,184	47,262	-
U.S. DEPARTMENT OF LABOR									
Trade Adjustment Assistance - Region 4 (1617)	17.245	1482		10,830	10,830	-	-	-	-
Trade Adjustment Assistance - Region 5 (1617)	17.245	276-67657-96770	111,648	20,859	66,496	45,637	-	45,637	-
Trade Adjustment Assistance - Region 5 (1718)	17.245	276-67637-96770	151,359	-	63,130	80,097	16,967	80,097	-
Total 17.245				31,689	140,456	125,734	16,967	125,734	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - SP NEG - Region 5	17.277	276-67493-96770	132,089	32,821	64,043	31,222	-	31,222	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - SP NEG - Region 5	17.277	276-67493-96770	47,589	-	24,414	24,414	-	24,414	-
Total 17.277				32,821	88,457	55,636	-	55,636	-

See accompanying notes to schedule of expenditures of federal awards.

GRATIOT-ISABELLA REGIONAL EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant / Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue At 6/30/2017	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2018	Federal Revenue Recognized	Current Year Cash Transferred to Subrecipient
<i>WIA Cluster</i>									
WIA/WIOA Adult Program - Region 4	b	17.258	1532.01	295,148	\$ 62,590	\$ 62,590	\$ -	\$ -	\$ -
WIA/WIOA Adult Program - Region 5	b	17.258	276-67485-96770	296,726	-	188,423	242,510	54,087	242,510
WIA/WIOA Adult Program - Region 5	b	17.258	276-67485-96770	433,603	44,795	144,700	99,905	-	99,905
WIA/WIOA Adult Program - RESEA Montcalm/Ionia - Adult	b	17.258	RESEA	-	4,193	4,193	-	-	-
WIA/WIOA Adult Program - RESEA Gratiot/Isabella - Adult	b	17.258	276-67614-96770	-	-	-	-	-	-
WIA/WIOA Adult Program - WIA Service Center - Adult	b	17.258	276-67451-96770	-	-	-	-	-	-
WIA/WIOA Adult Program - WIOA Service Center - Adult	b	17.258	276-67481-96770	-	2,245	2,245	-	-	-
WIA/WIOA Adult Program - WIOA Service Center - Adult	b	17.258	276-67451-96770	-	-	-	-	-	-
Total 17.258					113,823	402,151	342,415	54,087	342,415
WIA/WIOA Dislocated Worker Formula Grants - Region 4	b	17.278	1541.01	112,867	26,701	26,701	-	-	-
WIA/WIOA Dislocated Worker Formula Grants - Region 5	b	17.278	276-67487-96770	292,082	-	126,731	150,767	24,036	150,767
WIA/WIOA Dislocated Worker Formula Grants - Region 5	b	17.278	276-67487-96770	324,636	25,704	83,490	57,786	-	57,786
WIA/WIOA Dislocated Worker Formula Grants - WIA Service Center - Dislocated Worker	n	17.278	276-67451-96770	-	-	-	-	-	-
WIA/WIOA Dislocated Worker Formula Grants - WIOA Service Center - Dislocated Worker	b	17.278	276-67481-96770	-	2,991	2,991	-	-	-
WIA/WIOA Dislocated Worker Formula Grants - WIOA Service Center - Dislocated Worker	b	17.278	276-67451-96770	-	-	-	-	-	-
Total 17.278					55,396	239,913	208,553	24,036	208,553
WIOA Youth Activities	b	17.259	276-67486-96770	478,906	-	260,767	309,759	48,992	309,759
WIOA Youth Activities	b	17.259	276-67486-96770	364,629	17,987	89,436	71,449	-	71,449
WIOA Youth Activities - WIA Service Center - Youth	b	17.259	276-67451-96770	-	-	-	-	-	-
WIOA Youth Activities - WIOA Service Center - Youth	b	17.259	276-67481-96770	-	2,452	2,452	-	-	-
WIOA Youth Activities - WIOA Service Center - Youth	b	17.259	276-67451-96770	-	-	-	-	-	-
WIOA Youth Activities - Youth HC (Highly Concentrated Youth Activities)	b	17.259	276-67476-96770	1,900	-	633	1,900	1,267	1,900
WIOA Youth Activities - Youth HC (Highly Concentrated Youth Activities)	b	17.259	276-67476-96770	-	1,993	1,993	-	-	-
Total 17.259					22,432	355,281	383,108	50,259	383,108
Total WIA cluster					191,651	997,345	934,076	128,382	934,076
Employment Service/Wagner-Peyser Funded Activities - Region 4		17.207	1521.01	90,666	19,602	19,602	-	-	-
Employment Service/Wagner-Peyser Funded Activities - Region 5		17.207	276-67428-96770	102,186	8,181	39,093	30,912	-	30,912
Employment Service/Wagner-Peyser Funded Activities - Region 5		17.207	276-67428-96770	141,293	-	77,193	95,175	17,982	95,175
Total 17.207					27,783	135,888	126,087	17,982	126,087
Total U.S. Department Of Labor					283,944	1,362,146	1,241,533	163,331	1,241,533
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)									
Temporary Assistance for Needy Families - PATH		93.558	276-67641-96770	327,821	-	188,157	217,727	29,570	217,727
Temporary Assistance for Needy Families - PATH		93.558	276-67641-96770	300,989	3,163	112,736	109,573	-	109,573
Temporary Assistance for Needy Families - PATH - ESS		93.558	276-67638-96770-15	25,133	25,133	25,133	-	-	-
Temporary Assistance for Needy Families - PATH - ESS		93.558	276-67638-96770-15	27,024	-	27,023	27,023	-	27,023
Total U.S. Department Of Health and Human Services (HHS)					28,296	353,049	354,323	29,570	354,323
U.S. DEPARTMENT OF AGRICULTURE									
State Administrative Matching Grants for the:									
Supplemental Nutrition Assistance Program - FAET		10.561	276-67606-96770	37,267	-	16,620	19,248	2,628	19,248
Supplemental Nutrition Assistance Program - FAET		10.561	276-67606-96770	21,740	1,653	8,821	7,168	-	7,168
Supplemental Nutrition Assistance Program Support Services - FAET		10.561	276-67607-96770	3,834	-	147	147	-	147
Supplemental Nutrition Assistance Program Support Services - FAET		10.561	276-67607-96770	-	-	-	-	-	-
Total U.S. Department Of Agriculture					1,653	25,588	26,563	2,628	26,563
TOTALS					\$ 909,600	\$ 6,063,487	\$ 5,891,874	\$ 737,987	\$ 5,891,874
									\$ 589,178

(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, 2018

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, 2018. 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.

NOTE 4 – OTHER

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

Special Education Fund:	\$ 3,590,749
Vocational Education Fund:	405,461
Cooperative Education Fund:	273,245
Funded Projects Fund:	<u>1,622,419</u>
 Total	 <u>\$ 5,891,874</u>

Gratiot-Isabella Regional Education Service District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018

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 84.048	Special Education Cluster Career and Technical Education – Grants to States

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