

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT

CADILLAC, MICHIGAN

SINGLE AUDIT

JUNE 30, 2015



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

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
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

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 Wexford-Missaukee Intermediate School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements, and have issued our report thereon dated October 19, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



October 19, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Wexford-Missaukee Intermediate School District's 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 Wexford-Missaukee Intermediate School District's major federal program for the year ended June 30, 2015. Wexford-Missaukee Intermediate School 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 Wexford-Missaukee Intermediate School 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 Wexford-Missaukee Intermediate School 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 on Wexford-Missaukee Intermediate School District's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Wexford-Missaukee Intermediate School 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 Wexford-Missaukee Intermediate School 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 Wexford-Missaukee Intermediate School 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 our 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 Wexford-Missaukee Intermediate School 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 Wexford-Missaukee Intermediate School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements. We issued our report thereon dated October 19, 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 the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2015	ADJUSTMENTS
U.S. Department of Education								
Direct Program								
Rural Education Achievement Program	84.358A	\$ 20,571	\$ 0	\$ 0	\$ 20,571	\$ 20,571	\$ 0	\$ 0
Passed Through Michigan Department of Education (M.D.E.)								
Title I Regional Assistance Grant								
Project No. 151570-1415	84.010	63,750	0	63,750	63,750	63,750	0	0
Special Education - IDEA - Flowthrough								
Project No. 150450-1415	84.027	1,919,873	0	0	1,919,873	1,919,873	0	0
Project No. 140450-1314	84.027	1,833,562	149,014	1,833,562	0	149,014	0	0
Total		3,753,435	149,014	1,833,562	1,919,873	2,068,887	0	0
Special Education - State Initiated								
Project No. 140480-EOSD	84.027	50,000	11,401	50,000	0	11,401	0	0
Project No. 140490-TC	84.027	50,000	11,342	50,000	0	11,342	0	0
Project No. 150480-EOSD	84.027	50,000	0	0	50,000	50,000	0	0
Project No. 150490-TC	84.027	50,000	0	0	50,000	50,000	0	0
Total		200,000	22,743	100,000	100,000	122,743	0	0
Special Education - IDEA - Preschool Grants								
Project No. 150460-1415	84.173	53,122	0	0	53,122	53,122	0	0
Project No. 140460-1314	84.173	52,687	52,687	52,687	0	52,687	0	0
Total		105,809	52,687	52,687	53,122	105,809	0	0
Total Special Education Cluster		4,059,244	224,444	1,986,249	2,072,995	2,297,439	0	0
Special Education - Infant and Toddler Formula								
Project No. 141340-1314	84.181	88,748	88,748	88,748	0	88,748	0	0
Project No. 151340-1415	84.181	91,010	0	0	91,010	91,010	0	0
Total		179,758	88,748	88,748	91,010	179,758	0	0
Career and Technical Education - CTE Perkins								
Project No. 143520-14125	84.048	535,486	120,176	535,486	0	120,176	0	0
Project No. 153520-15125	84.048	518,589	0	0	518,589	518,589	0	0
Total		1,054,075	120,176	535,486	518,589	638,765	0	0
Total Passed Through M.D.E.		5,356,827	433,368	2,674,233	2,746,344	3,179,712	0	0
U.S. Department of Health and Human Services								
Passed Through Michigan Department of Human Services								
Medicaid Administrative Outreach								
Project No. None	93.778	43,057	0	0	43,057	43,057	0	0
Total Federal Financial Assistance		\$ 5,420,455	\$ 433,368	\$ 2,674,233	\$ 2,809,972	\$ 3,243,340	\$ 0	\$ 0

(B)

(C)

See accompanying notes

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	DUE FROM (TO) SUBRECIPIENT JULY 1, 2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CASH TRANSFERRED TO SUBRECIPIENT	SUBRECIPIENT EXPENDITURES	DUE FROM (TO) SUBRECIPIENT JUNE 30, 2015	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Career and Technical Education - CTE Perkins	84.048							
Charlevoix-Emmet ISD		\$ 110,175	\$ 0	\$ 0	\$ 110,175	\$ 110,175	\$ 0	\$ 0
Traverse Bay Area ISD		282,193	0	0	282,193	282,193	0	0
Kaleva Norman Dickson Schools		5,144	0	0	5,144	5,144	0	0
Onkama Consolidated Schools		9,893	0	0	9,893	9,893	0	0
Manistee Area Public Schools		16,225	0	0	16,225	16,225	0	0
Bear Lake Schools		8,310	0	0	8,310	8,310	0	0
Total U.S. Department of Education		\$ 431,940	\$ 0	\$ 0	\$ 431,940	\$ 431,940	\$ 0	\$ 0
U.S. Department of Health and Human Services								
Passed Through Michigan Department of Human Services								
Medicaid Administrative Outreach	93.778							
Cadillac Area Public Schools		\$ 6,646	\$ 0	\$ 0	\$ 6,646	\$ 6,646	\$ 0	\$ 0
Lake City Area Schools		3,341	0	0	3,341	3,341	0	0
Manton Consolidated Schools		2,417	0	0	2,417	2,417	0	0
Marion Public Schools		1,042	0	0	1,042	1,042	0	0
McBain Rural Agricultural Schools		2,153	0	0	2,153	2,153	0	0
Mesick Consolidated Schools		1,574	0	0	1,574	1,574	0	0
Pine River Area Schools		2,152	0	0	2,152	2,152	0	0
Total U.S. Department of Health and Human Services		\$ 19,325	\$ 0	\$ 0	\$ 19,325	\$ 19,325	\$ 0	\$ 0

See accompanying notes

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2015, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Per Basic Financial Statements (Page 6)	\$ 2,809,972
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,809,972</u>

(C) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Current Cash Payments per Cash Management System (CMS)		\$3,941,112
Add Items Not on CMS Report:		
Rural Education Achievement Program - Direct Award	\$ 20,571	
Medicaid Administrative Outreach	43,057	
State Grants Reported on CMS Report	<u>(761,400)</u>	<u>(697,772)</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		<u>\$3,243,340</u>

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statement Findings

2014-001 Unfavorable Budget Variances

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for activity in the General Fund, the Special Education Fund, and Vocational Education Fund.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Cause: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustment as needed.

Corrective Action Response: Management of the District is continually reviewing procedures related to budgetary compliance in accordance with State law and will continue to monitor and amend our budget when the need arises.

Section III - Federal Award Findings and Questioned Costs

None

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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 programs:

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

WEXFORD-MISSAUKEE INTERMEDIATE SCHOOL DISTRICT
CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

