

**Chippewa Hills School District
Remus, Michigan**

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



Chippewa Hills School 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
Chippewa Hills School 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 Chippewa Hills School 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 2, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 that we consider to be a material weakness.

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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 cursive script that reads "Roslund, Prestage & Company, P.C.".

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

October 2, 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
Chippewa Hills School District

Report on Compliance for Each Major Federal Program

We have audited Chippewa Hills School District's (the District's) 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 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. We issued our report thereon dated October 2, 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.
Certified Public Accountants

October 2, 2018

Chippewa Hills School 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 Award Amount	Accrued July 1, 2017	Current Year Receipts	Current Year Expenditures	Accrued June 30, 2018	Federal Revenue Recognized	Amounts paid to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through The Michigan Department Of Education:									
Child Nutrition Cluster									
<i>Non-Cash Assistance (donated food):</i>									
National School Lunch Program (Commodities)	10.555		\$ 71,555	\$ -	\$ 71,555	\$ 71,555	\$ -	\$ 71,555	\$ -
<i>Cash Assistance:</i>									
National School Lunch Program	10.555	171960	67,203	-	67,203	67,203	-	67,203	-
National School Lunch Program	10.555	181960	475,676	-	475,676	475,676	-	475,676	-
National School Lunch Program - National Snack Program	10.555	171980	1,939	-	1,939	1,939	-	1,939	-
National School Lunch Program - National Snack Program	10.555	181980	13,321	-	13,321	13,321	-	13,321	-
Total CFDA #10.555			629,694	-	629,693	629,693	-	629,693	-
School Breakfast Program	10.553	171970	25,810	-	25,810	25,810	-	25,810	-
School Breakfast Program	10.553	181970	177,037	-	177,037	177,037	-	177,037	-
Total CFDA #10.553			202,847	-	202,846	202,846	-	202,846	-
Total U.S. Department of Agriculture/Child Nutrition Cluster			832,541	-	832,539	832,539	-	832,539	-
U.S. DEPARTMENT OF EDUCATION									
Passed Through The Michigan Department Of Education:									
Title 1 Grants to Local Educational Agencies	84.010	171530	650,894	83,832	126,614	42,782	-	42,782	-
Title 1 Grants to Local Educational Agencies	84.010	181530	692,309	-	529,504	583,587	54,083	583,587	-
Total CFDA #84.010			1,343,203	83,832	656,118	626,369	54,083	626,369	-
Supporting Effective Instruction State Grants (Include 7662)	84.367	170520	148,422	1,156	6,504	5,349	1	5,349	-
Supporting Effective Instruction State Grants	84.367	180520	131,692	-	110,546	134,265	23,719	134,265	-
Total CFDA #84.367			280,114	1,156	117,050	139,614	23,719	139,614	-
Rural Education	84.358	170660	42,421	1,987	19,663	17,676	-	17,676	-
Rural Education	84.358	180660	35,122	-	10,410	31,348	20,938	31,348	-
Total CFDA #84.358			77,543	1,987	30,073	49,024	20,938	49,024	-
Student Support and Academic Enrichment (Title IV)	84.424	180750	10,070	-	5,646	8,611	2,965	8,611	-
Total CFDA #84.424			10,070	-	5,646	8,611	2,965	8,611	-
Direct Programs									
Indian Education Grants to Local Educational Agencies	84.060A	SO60A180109	71,086	-	50,478	50,478	-	50,478	-
Total CFDA #84.060A			71,086	-	50,478	50,478	-	50,478	-
Total U.S. Department of Education			1,782,016	86,975	859,365	874,096	101,706	874,096	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through The State of Michigan:									
Medical Assistance Program	93.778	n/a	-	-	2,229	2,229	-	2,229	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 2,614,557	\$ 86,975	\$ 1,694,134	\$ 1,708,865	\$ 101,706	\$ 1,708,865	\$ -

The accompanying notes are an integral part of this schedule.

Chippewa Hills School 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 Chippewa Hills School 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 Chippewa Hills School District, it is not intended to and does not present its financial position or changes in net position of Chippewa Hills School District.

Chippewa Hills School District qualifies for low-risk auditee status. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

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. Pass-through entity identifying numbers are presented where available. Chippewa Hills School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

Federal expenditures are reported as revenues in the following funds in the financial statements of Chippewa Hills School District:

General Fund	876,326
Food Service Fund	832,539
Totals	1,708,865

Chippewa Hills School 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? X Yes 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
10.553, 10.555 and 10.559	Child Nutrition Cluster

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

2018-001 - MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the adjustment of investments, receivables, payables, deferred revenues, due from other funds, revenues, expenditures, transfers in, and beginning fund balance were proposed by the auditors. These entries were brought to the attention of management and were subsequently recorded in the District's general ledger.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to ensure that the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

Chippewa Hills School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Cause: The District's internal control over financial reporting failed to identify these misstatements.

Effect: The District's general ledger was materially misstated at the time of the audit.

Recommendation: We recommend that the District take steps necessary to ensure that all reconciliations and material journal entries are completed prior to the audit.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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None

Chippewa Hills School District
Schedule of Prior Year Findings
Year Ended June 30, 2018

No prior year findings



October 5, 2018

FINANCIAL STATEMENT FINDING 2018-001 – MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

CORRECTIVE ACTION PLAN

Responsible Person: Director of Finance

Corrective Action: The Director of Finance will be more proactive in reviewing the Trial Balance prior to the audit. Necessary corrections to accounts will be made prior to submitting the Trial Balance to the auditors.

Completion Date: June 30, 2019

Slaters Martin
DIRECTOR OF FINANCE
CHIPPEWA HILLS SCHOOL DISTRICT