Muskegon Area Intermediate School District

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Financial Report and
Independent Auditor's Reports

June 30, 2016

Muskegon Area Intermediate School District

C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITOR'S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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* 1

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 6

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 10

SCHEDULE OF FINDINGS AND RESPONSES 11

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 13

CORRECTIVE ACTION PLAN 14

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

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*

October 14, 2016

Board of Education
Muskegon Area Intermediate School District
Muskegon, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Muskegon Area Intermediate School District's basic financial statements, and have issued our report thereon dated October 14, 2016.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Muskegon Area 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 Muskegon Area Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Muskegon Area 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.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Muskegon Area 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.

Brickley DeLong, P.C.

Muskegon, Michigan

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 14, 2016

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

Report on Compliance for Each Major Federal Program
We have audited Muskegon Area Intermediate School 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 Muskegon Area Intermediate School District's major federal programs for the year ended June 30, 2016. Muskegon Area Intermediate School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

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 Muskegon Area 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 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 Muskegon Area 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 of Muskegon Area Intermediate School District's compliance.

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Opinion on Each Major Federal Program
In our opinion, Muskegon Area 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, 2016.

Report on Internal Control Over Compliance
Management of Muskegon Area 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 Muskegon Area 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 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 Muskegon Area 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Muskegon Area Intermediate School District's basic financial statements. We issued our report thereon dated October 14, 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.

Brickley DeLong, P.C.

Muskegon, Michigan

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2016

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2015	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis) Prior year(s)	Expenditures (accrual basis) Current year	Accrued (unearned) revenue June 30, 2016	Passed through to subrecipients
U.S. Department of Education									
Direct programs:									
School Safety National Activities	84.184								
S184G140401		$ 895,495	$ 25,279	$ -	$ 407,631	$ 171,549	$ 427,253	$ 44,901	$ -
Programs passed through Michigan Department of Education:									
Adult Education—Basic Grants to States	84.002								
151120-155257		11,218	11,015	-	11,015	11,218	-	-	-
151130-151587		303,055	211,711	-	211,711	301,416	-	-	-
151190-151587		17,500	14,655	-	14,655	17,500	-	-	-
161120-165257		11,218	-	-	373	-	8,083	7,710	7,608
161130-161587		387,679	-	-	245,715	-	386,946	141,231	371,071
161190-161587		17,500	-	-	4,161	-	17,500	13,339	16,655
		748,170	237,381	-	487,630	330,134	412,529	162,280	395,334
Title I Grants to Local Educational Agencies	84.010								
151570-1415		231,812	33,966	-	71,265	172,622	37,299	-	-
161570-1516		325,391	-	-	151,330	-	195,383	44,053	-
		557,203	33,966	-	222,595	172,622	232,682	44,053	-
Title I State Agency Program For Neglected And Delinquent Children and Youth	84.013								
151700-1415		37,083	-	-	37,083	-	37,083	-	-
161700-1516		64,080	-	-	-	-	20,237	20,237	-
		101,163	-	-	37,083	-	57,320	20,237	-
Special Education Cluster									
Special Education—Grants to States	84.027								
140450-1314		6,944,798	295,250	(117)	295,133	6,944,798	-	-	(117)
150450-1415		7,081,744	1,463,611	-	2,405,005	5,836,729	1,245,015	303,621	632,040
150480-EOSD		50,000	4,773	-	4,773	50,000	-	-	-
150490-TC		65,000	8,932	-	8,932	65,000	-	-	-
160450-1516		7,110,154	-	-	4,908,133	-	5,709,541	801,408	5,130,509
160480-1112		50,000	-	-	45,951	-	50,000	4,049	-
160490-TC		65,000	-	-	58,907	-	65,000	6,093	-
		21,366,696	1,772,566	(117)	7,726,834	12,896,527	7,069,556	1,115,171	5,762,432
Special Education—Preschool Grants	84.173								
140460-1314		262,891	27,796	-	27,796	262,891	-	-	-
150460-1415		263,210	58,057	-	122,959	165,251	97,959	33,057	92,898
160460-1516		263,371	-	-	115,762	-	138,582	22,820	138,582
		789,472	85,853	-	266,517	428,142	236,541	55,877	231,480
Total Special Education Cluster		22,156,168	1,858,419	(117)	7,993,351	13,324,669	7,306,097	1,171,048	5,993,912

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2016

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2015	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis) Prior year(s)	Expenditures (accrual basis) Current year	Accrued (unearned) revenue June 30, 2016	Passed through to subrecipients
U.S. Department of Education—Continued									
Programs passed through Michigan Department of Education—continued:									
Career and Technical Education—Basic Grants to States	84.048								
153520-15129		$ 420,132	$ 82,622	$ -	$ 82,622	$ 420,132	$ -	$ -	$ -
163520-16129		434,234	-	-	361,641	-	434,234	72,593	-
		854,366	82,622	-	444,263	420,132	434,234	72,593	-
Special Education—Grants for Infants and Families	84.181								
151340-1415		262,508	43,119	-	43,119	196,254	-	-	-
161340-1516		252,357	-	-	158,830	-	204,043	45,213	-
		514,865	43,119	-	201,949	196,254	204,043	45,213	-
Mathematics and Science Partnerships	84.366								
152410-MSP2015		1,036,597	108,614	-	909,934	143,148	893,449	92,129	-
162410-MSP2015		982,279	-	-	27,736	-	155,196	127,460	-
		2,018,876	108,614	-	937,670	143,148	1,048,645	219,589	-
Improving Teacher Quality State Grants	84.367								
150520-1415		514	-	-	511	-	511	-	-
160520-1516		478	-	-	475	-	475	-	-
		992	-	-	986	-	986	-	-
Total passed through Michigan Department of Education		26,951,803	2,364,121	(117)	10,325,527	14,586,959	9,696,536	1,735,013	6,389,246
Total U.S. Department of Education		27,847,298	2,389,400	(117)	10,733,158	14,758,508	10,123,789	1,779,914	6,389,246

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2016

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2015	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis) Prior year(s)	Expenditures (accrual basis) Current year	Accrued (unearned) revenue June 30, 2016	Passed through to subrecipients
U.S. Department of Agriculture									
Programs passed through Michigan Department of Education:									
Child Nutrition Cluster									
School Breakfast Program	10.553								
151970		$ 39,256	$ 2,021	$ -	$ 6,792	$ 34,485	$ 4,771	$ -	$ -
161970		28,548	-	-	26,029	-	28,548	2,519	-
		67,804	2,021	-	32,821	34,485	33,319	2,519	-
National School Lunch Program	10.555								
151960		68,090	3,529	-	11,000	60,619	7,471	-	-
161960		54,282	-	-	49,569	-	54,282	4,713	-
Entitlement Commodities		6,385	-	-	6,135	-	6,135	-	-
		128,757	3,529	-	66,704	60,619	67,888	4,713	-
Total U.S. Department of Agriculture		196,561	5,550	-	99,525	95,104	101,207	7,232	-
U.S. Department of Health and Human Services									
Direct programs:									
Substance Abuse and Mental Health Services—Projects of Regional and National Significance									
1H79SM062031-01	93.243	100,000	20,174	-	62,013	20,174	53,541	11,702	-
Head Start	93.600								
05CH8258/16		12,905,361	1,045,161	-	7,819,478	4,033,873	8,414,334	1,640,017	5,859,679

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
For the year ended June 30, 2016

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2015	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis) Prior year(s)	Expenditures (accrual basis) Current year	Accrued (unearned) revenue June 30, 2016	Passed through to subrecipients
U.S. Department of Health and Human Services—Continued									
Programs passed through Michigan Department of Education:									
Child Care and Development Block Grant	93.575								
153QUA-1415		$ 50,000	$ 9,949	$ -	$ 19,894	$ 40,055	$ 9,945	$ -	$ 9,241
Programs passed through the Michigan Department of Community Health:									
Medical Assistance Program									
Child and Adolescent Health Center Program	93.778								
20150028-00		75,000	16,381	-	25,761	65,591	9,380	-	-
20160192-00		75,000	-	-	56,700	-	73,558	16,858	-
		150,000	16,381	-	82,461	65,591	82,938	16,858	-
Medicaid Outreach	93.778								
393		37,226	-	-	37,226	-	37,226	-	-
Total Medical Assistance Program		187,226	16,381	-	119,687	65,591	120,164	16,858	-
Total U.S. Department of Health and Human Services		13,242,587	1,091,665	-	8,021,072	4,159,693	8,597,984	1,668,577	5,868,920
TOTAL FEDERAL ASSISTANCE		**$ 41,286,446**	**$ 3,486,615**	$ -	**$ 18,853,755**	**$ 19,013,305**	**$ 18,822,980**	**$ 3,455,723**	**$ 12,258,166**

The accompanying notes are an integral part of this schedule.

Muskegon Area Intermediate School District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2016

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal award activity of the School 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 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 the School District, it is not intended to and does not present the financial position or change in net position of the School District.

2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Management has utilized the Michigan Department of Education Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

4. Accrued revenue as of July 1, 2015 for Special Education—Grants to States 140450-1314 was overstated by $117 as the Michigan Department of Education disallowed a portion of the prior year expenditures under the program for a subrecipient.

5. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2016		
Governmental funds financial statements		
General Fund	10,944,216	
Special Education Fund	7,343,323	
Vocational Education Fund	434,234	
Other governmental funds (includes Food Service Fund)	101,207	18,822,980
Expenditures per single audit report		
Schedule of Expenditures of Federal Awards		**$ 18,822,980**

Muskegon Area Intermediate School District
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2016

SECTION I—SUMMARY OF AUDITOR'S RESULTS

A. *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
   - Material weakness(es) identified? _____ yes __**X**__ no
   - Significant deficiency(ies) identified? _____ yes __**X**__ none reported
3. Noncompliance material to financial statements noted? _____ yes __**X**__ no

B. *Federal Awards*

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes __**X**__ no
   - Significant deficiency(ies) identified? _____ yes __**X**__ none reported
2. Type of auditors' report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes __**X**__ no
4. Identification of major programs:

CFDA Number(s)	Name of Federal Program/Cluster
	U.S. Department of Education
84.027 and 84.173	**Special Education Cluster**
84.366	**Mathematics and Science Partnerships**

5. Dollar threshold used to distinguish between type A and type B programs: **$750,000**
6. Auditee qualified as low-risk auditee? __**X**__ yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

Muskegon Area Intermediate School District

684 Harvey Street
Muskegon, MI 49442
Phone: (231) 767-7209

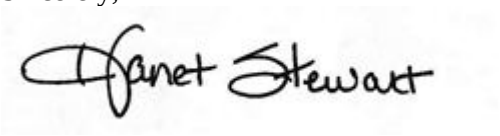
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 14, 2016

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated October 20, 2015, for the year ended June 30, 2015.

Sincerely,



Janet Stewart
Director of Financial Services

Muskegon Area Intermediate School District

684 Harvey Street
Muskegon, MI 49442
Phone: (231) 767-7209

CORRECTIVE ACTION PLAN

October 14, 2016

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully submits the following Corrective Action Plan for the year ended June 30, 2016.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2016

The findings from the Schedule of Findings and Responses for the year ended June 30, 2016 provided ***no*** findings in either Section II or Section III. Accordingly, there are ***no*** matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

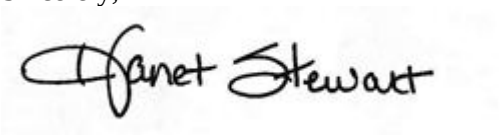
There were ***no*** findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were ***no*** findings in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Janet Stewart at (231) 767-7209.

Sincerely,



Janet Stewart
Director of Financial Services