

**Farwell Area Schools**  
**Farwell, Michigan**

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



**RPC**  
Roslund Prestage & Company  
CERTIFIED PUBLIC ACCOUNTANTS

Farwell Area Schools  
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  
Farwell Area Schools

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 Farwell Area Schools (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 August 13, 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  
August 13, 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  
Farwell Area Schools

### **Report on Compliance for Each Major Federal Program**

We have audited Farwell Area Schools' (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 August 13, 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

August 13, 2018

Farwell Area Schools  
Schedule of Expenditures of Federal Awards  
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 7/1/2017	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2018	GPFS Federal Revenue Recognized
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>								
<i>Child Nutrition Cluster:</i>								
<i>Passed through Michigan Department of Education</i>								
School Breakfast Program	10.553	171970	\$ -	\$ 26,813	\$ 26,813	\$ -	\$ 26,813	
School Breakfast Program	10.553	181970	-	172,446	174,472	2,026	174,472	
Total CFDA #10.553			-	199,259	201,285	2,026	201,285	
<i>Non-Cash Assistance:</i>								
National Schools Lunch - Entitlement	10.555		-	54,647	54,647	-	54,647	
			-	54,647	54,647	-	54,647	
<i>National School Lunch Program</i>								
National School Lunch - Free and Reduced	10.555	171960	-	59,534	59,534	-	59,534	
National School Lunch - Snacks	10.555	171980	-	88	88	-	88	
National School Lunch - Free and Reduced	10.555	181960	-	362,543	366,090	3,547	366,090	
National School Lunch - Snacks	10.555	181980	-	2,670	2,670	-	2,670	
Total CFDA #10.555			-	424,835	428,382	3,547	428,382	
			-	479,482	483,029	3,547	483,029	
<i>Summer Food Service Program for Children</i>								
Summer Food Service Program for Children	10.559	170900	2,716	6,511	3,795	-	3,795	
Summer Food Service Program for Children	10.559	171900	-	668	668	-	668	
Summer Food Service Program for Children	10.559	180900	-	-	3,603	3,603	3,603	
Summer Food Service Program for Children	10.559	181900	-	-	372	372	372	
Total CFDA #10.559			2,716	7,179	8,438	3,975	8,438	
Total Child Nutrition Cluster			2,716	685,920	692,752	9,548	692,752	
<i>Child and Adult Care Food Program</i>								
Child and Adult Care Food Program	10.558	171920	-	862	862	-	862	
Child and Adult Care Food Program	10.558	172010	-	62	62	-	62	
Child and Adult Care Food Program	10.558	181920	-	23,944	23,944	-	23,944	
Child and Adult Care Food Program	10.558	182010	-	1,724	1,724	-	1,724	
Total CFDA #10.558			-	26,592	26,592	-	26,592	
<b>Total U.S. Department of Agriculture</b>			<b>2,716</b>	<b>712,512</b>	<b>719,344</b>	<b>9,548</b>	<b>719,344</b>	

The accompanying notes are an integral part of this schedule.

Farwell Area Schools  
Schedule of Expenditures of Federal Awards  
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 7/1/2017	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue At 6/30/2018	GPFS Federal Revenue Recognized
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>								
<i>Passed Through The Michigan Department Of Education</i>								
Title I Grants to Local Educational Agencies	84.010	1715301617	567,708	\$ 527,275	\$ 535,377	\$ 8,102	\$ -	\$ 8,102
Title I Grants to Local Educational Agencies	84.010	1815301718	630,354	-	426,190	554,332	128,142	554,332
Total CFDA #84.010				<u>527,275</u>	<u>961,567</u>	<u>562,434</u>	<u>128,142</u>	<u>562,434</u>
<i>Special Education Cluster</i>								
<i>Passed through Clare - Gladwin RESD</i>								
Special Education Grants to States	84.027A	1704501617	355,522	58,103	58,103	-	-	-
Special Education Grants to States	84.027A	1804501718	351,397	-	249,158	351,397	102,239	351,397
Total CFDA #84.027				<u>58,103</u>	<u>307,261</u>	<u>351,397</u>	<u>102,239</u>	<u>351,397</u>
<i>Passed through Clare - Gladwin RESD</i>								
Education for Homeless Children and Youth	84.196			-	315	315	-	315
<i>Passed through Michigan Department of Education</i>								
Rural Education - Title VI, Part B	84.358	1706601617	27,325	25,383	25,383	-	-	-
Rural Education - Title VI, Part B	84.358	1806601718	23,844	-	22,839	23,319	480	23,319
Total CFDA #84.358				<u>25,383</u>	<u>48,222</u>	<u>23,319</u>	<u>480</u>	<u>23,319</u>
Supporting Effective Instruction State Grants	84.367	1705201617	164,002	123,877	123,877	-	-	-
Supporting Effective Instruction State Grants	84.367	1805201718	132,566	-	38,995	60,428	21,433	60,428
Total CFDA #84.367				<u>123,877</u>	<u>162,872</u>	<u>60,428</u>	<u>21,433</u>	<u>60,428</u>
Student Support and Academic Enrichment Program	84.424	1805201718	10,000	-	5,955	5,955	-	5,955
<b>Total U.S. Department of Education</b>				<u><b>734,638</b></u>	<u><b>1,486,192</b></u>	<u><b>1,003,848</b></u>	<u><b>252,294</b></u>	<u><b>1,003,848</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>								
<i>Passed through Clare RESD:</i>								
Medical Assistance Program	93.778			-	33,511	33,511	-	33,511
<b>Total U.S. Department of Health and Human Services</b>				<u><b>-</b></u>	<u><b>33,511.00</b></u>	<u><b>33,511.00</b></u>	<u><b>-</b></u>	<u><b>33,511.00</b></u>
<b>TOTALS</b>				<u><b>\$ 737,354</b></u>	<u><b>\$ 2,232,215</b></u>	<u><b>\$ 1,756,703</b></u>	<u><b>\$ 261,842</b></u>	<u><b>\$ 1,756,703</b></u>

The accompanying notes are an integral part of this schedule.

Farwell Area Schools  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

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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 Farwell Area Schools 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 Farwell Area Schools, it is not intended to and does not present its financial position or changes in net position of Farwell Area Schools.

Farwell Area Schools 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. Farwell Area Schools 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 Farwell Area Schools:

	Grant Expenditures per the Schedule of Expenditure of Federal Awards	Federal Revenue per the Financial Statements	Difference
General Fund	1,037,359	1,037,359	-
Food Service Fund	719,344	719,344	-
Debt Service Fund	-	*7,536	*7,536
Totals	1,756,703	1,764,239	*7,536

\* Represents Qualified Zone Academy Bonds (QZAB) Interest.



Farwell Area Schools  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

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**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

84.010

Title I Grants to Local Educational Agencies

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**

Farwell Area Schools  
Schedule of Prior Year Findings  
Year Ended June 30, 2018

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No prior year findings.