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# Heritage Southwest Intermediate School District

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**Federal Awards Supplemental Information**  
**June 30, 2022**

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Education  
Heritage Southwest Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Southwest Intermediate School District (the "Intermediate School District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Intermediate School District's basic financial statements. We issued our report thereon dated October 19, 2022, which contained an unmodified opinion 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. We have not performed any procedures with respect to the audited financial statements subsequent to October 19, 2022.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Uniform Guidance, and are 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 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 and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

October 19, 2022

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*

**Independent Auditor's Report**

To Management and the Board of Education  
Heritage Southwest Intermediate School District

We have audited, in accordance with 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Heritage Southwest Intermediate School District (the "Intermediate School District") as of and for the year ended June 30, 2022 and the related notes to the basic financial statements, which collectively comprise the Intermediate School District's basic financial statements, and have issued our report thereon dated October 19, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Intermediate School District's internal control over financial reporting (internal control) as a basis for designing 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 Intermediate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Intermediate School District'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

To Management and the Board of Education  
Heritage Southwest Intermediate School District

### **The Intermediate School District's Response to the Finding**

*Government Auditing Standards* require the auditor to perform limited procedures on the Intermediate School District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Intermediate School District's response was not subjected to the other 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 Intermediate School District'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 Intermediate School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 19, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Education  
Heritage Southwest Intermediate School District

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

***Opinion on Each Major Federal Program***

We have audited Heritage Southwest Intermediate School District's (the "Intermediate School District") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Intermediate School District's major federal program for the year ended June 30, 2022. The Intermediate School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Intermediate School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Intermediate School District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Intermediate School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Intermediate School District's federal program.

To the Board of Education  
Heritage Southwest Intermediate School District

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Intermediate School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Intermediate School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Intermediate School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Intermediate School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Intermediate School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Education  
Heritage Southwest Intermediate School District

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.

*Plante & Moreau, PLLC*

October 19, 2022



Federal Agency/Pass-through Agency/Program Title	Grant/Project Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2022	Current Year Cash Transferred to Subrecipients
Clusters:										
Special Education Cluster - U.S. Department of Education - Passed through the Michigan Department of Education:										
Special Education Flowthrough:										
Project number 210450/2021	210450/2021	84.027	\$ 1,692,869	\$ 1,168,648	\$ 328,947	\$ -	\$ 328,947	\$ 524,220	\$ 524,220	\$ -
Project number 200450/1920	200450/1920	84.027	1,614,088	1,614,088	153,033	-	153,033	-	-	-
Project number 210493/2021	210493/2021	84.027	132,000	117,603	13,374	-	13,374	-	-	-
Project number 220493/2122	220493/2122	84.027	132,000	-	-	-	120,855	130,561	9,706	-
Project number 220450/2122	220450/2122	84.027	1,694,238	-	-	-	1,158,537	1,694,238	535,701	-
Total Special Education Flowthrough		84.027	5,265,195	2,900,339	495,354	-	1,774,746	2,349,019	1,069,627	-
Preschool Incentive:										
Project number 210460/2021	210460/2021	84.173	50,944	50,944	9,599	-	9,599	-	-	-
Project number 220460/2122	220460/2122	84.173	51,131	-	-	-	41,589	51,131	9,542	-
Total Preschool Incentive		84.173	102,075	50,944	9,599	-	51,188	51,131	9,542	-
Total Special Education Cluster			5,367,270	2,951,283	504,953	-	1,825,934	2,400,150	1,079,169	-
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Michigan Department of Community Health - Medicaid Outreach - 2021-2022										
	N/A	93.778	47,737	-	-	-	47,737	47,737	-	26,702
Total clusters			5,415,007	2,951,283	504,953	-	1,873,671	2,447,887	1,079,169	26,702
Other federal awards:										
U.S. Department of Education - Passed through the Michigan Department of Education:										
Early Intervention Services (IDEA):										
Project number 211340/2021	211340/2021	84.181	67,345	67,345	17,945	-	17,945	-	-	-
Project number 221340/2122	221340/2122	84.181	69,915	-	-	-	49,786	69,915	20,129	-
COVID-19 American Rescue Plan - Infant and Toddler	221283/EOARP	84.181X	33,984	-	-	-	-	3,353	3,353	-
Total Early Intervention Services (IDEA)		84.181	171,244	67,345	17,945	-	67,731	73,268	23,482	-
Every Student Succeeds Act/Preschool Development Grant - Project number 213910/2021	213910/2021	94.434	33,000	1,812	1,812	-	33,000	31,188	-	-
Coronavirus State Fiscal Recovery Fund - COVID-19 GSRP State Fiscal Recovery Funds	222390-GSRP2122	21.027	404,550	-	-	-	-	286,400	286,400	-

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	Assistance Listing Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2022	Current Year Cash Transferred to Subrecipients
Other federal awards (continued):										
Technical Education (Perkins III) -										
Passed through Berrien RESA:										
Career and Technical Education	213520/201219	84.048	\$ 96,698	\$ 96,698	\$ 41,883	\$ -	\$ 41,883	\$ -	\$ -	\$ -
Career and Technical Education	223520/201219	84.048	119,246	-	-	-	119,246	119,246	-	-
Career and Technical Education	203480/201230	84.048	149,930	109,808	11,434	-	11,434	-	-	-
Career and Technical Education	203480/201229	84.048	149,930	100,706	11,434	-	11,434	-	-	-
Career and Technical Education	213480/211251	84.048	118,344	-	-	-	90,522	118,344	27,822	-
Career and Technical Education	213480/211252	84.048	109,416	-	-	-	90,129	109,416	19,287	-
Career and Technical Education	223480/221266	84.048	22,833	-	-	-	-	20,271	20,271	-
Career and Technical Education	223480/22167	84.048	24,737	-	-	-	-	22,175	22,175	-
Supporting Effective Education Development (SEED) -										
Passed through Western Michigan University:										
High Impact Leadership	20-21	84.423A	39,900	29,925	9,975	-	19,950	9,975	-	-
High Impact Leadership	21-22	84.423A	24,600	-	-	-	-	24,600	24,600	-
Total High Impact Leadership		84.423A	64,500	29,925	9,975	-	19,950	34,575	24,600	-
Total U.S. Department of Education noncluster programs			1,688,428	406,294	94,483	-	709,329	1,038,883	424,037	-
U.S. Department of Health and Human Services -										
Passed through the Michigan Department of Education:										
Health Resource Advocates Grant	222810/HRA2022	93.323	224,000	-	-	-	224,000	224,000	-	112,000
U.S. Department of Agriculture -										
Passed through Michigan Department of Education										
COVID-19 Pandemic EBT Local Level Costs	210980/2021	10.649	614	-	-	-	614	614	-	-
Federal Communications Commission -										
COVID-19 Emergency Connectivity Funds - 2021-22										
	N/A	32.009	23,451	-	-	-	-	23,451	23,451	-
Total federal awards			\$ 7,127,500	\$ 3,357,577	\$ 599,436	\$ -	\$ 2,583,614	\$ 3,510,835	\$ 1,526,657	\$ 138,702

**Heritage Southwest Intermediate School District**

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**Reconciliation of Basic Financial Statements Federal Revenue  
with Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2022**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,487,384
Revenue deferred in the current year for financial statement purposes as not meeting the available criteria of GASB Statement No. 33	<u>23,451</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 3,510,835</u></u>

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2022**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Heritage Southwest Intermediate School District (the "Intermediate School District") under programs of the federal government for the year ended June 30, 2022. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Intermediate School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Intermediate School District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, and frequently asked questions, as outlined in the Compliance Supplement. 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 pass-through entity identifying numbers are presented where available.

The Intermediate School District has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Note 3 - Grant Auditor Report**

Management has utilized the Michigan Department of Education NexSys Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards. Differences, if any, between the GAR and the schedule of expenditures of federal awards relate to the timing of payments and the fiscal year to which the payments relate.

**Note 4 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2022 that is included in the schedule of expenditures of federal awards.

**Heritage Southwest Intermediate School District**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2022**

**Note 5 - Federal Awards Provided to Subrecipients**

The expenditures related to federal awards provided to subrecipients for the year ended June 30, 2022 are as follows:

<u>Program Title/Project Number/Subrecipient Name</u>	<u>Assistance Listing Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
Medicaid Outreach - 2021-2022 - Passed through to:		
Cassopolis Public Schools	93.778	\$ 5,151
Dowagiac Union Schools	93.778	10,881
Edwardsburg Public Schools	93.778	6,926
Marcellus Community Schools	93.778	<u>3,744</u>
Total Medicaid Outreach - 2021-2022		26,702
Health Resource Advocates - Project number 222810 - Passed through to:		
Cassopolis Public Schools	93.323	15,680
Dowagiac Union Schools	93.323	35,840
Edwardsburg Public Schools	93.323	47,040
Marcellus Community Schools	93.923	<u>13,440</u>
Total Health Resource Advocates - Project number 222810		<u>112,000</u>
Total		<u>\$ 138,702</u>

**Heritage Southwest Intermediate School District**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

**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 that are not considered to be material weaknesses?   X   Yes            None reported

Noncompliance material to financial statements noted?            Yes   X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?            Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            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 Section 2 CFR 200.516(a)?            Yes   X   No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes            No

**Heritage Southwest Intermediate School District**

**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2022**

**Section II - Financial Statement Audit Findings**

Reference Number	Finding
2022-001	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The Intermediate School District's internal control structure should ensure that financial information is complete and accurate.</p> <p><b>Condition</b> - Certain account balances in the Intermediate School District's books and records for the 2022 fiscal year were not reconciled properly and, thus, were identified as part of the audit process to be improperly recorded. Certain adjustments and reclassifications to the Intermediate School District's general ledger were discussed with management during our audit process and recorded by management as a result.</p> <p><b>Context</b> - Adjustments and reclassifications that were identified during the audit as a result of audit procedures impacted accounts receivable, unavailable revenue, and revenue within the Intermediate School District's governmental funds. These adjustments and reclassifications were corrected by management and are reflected in the Intermediate School District's governmental funds financial statements. There were also modifications made to the schedule of expenditures of federal awards as a result of the financial statement adjustments.</p> <p><b>Cause</b> - The Intermediate School District did not have controls and processes in place to analyze, adjust, and independently review certain account balances prior to the commencement of the audit.</p> <p><b>Effect</b> - Account balances were not completely reconciled and adjusted prior to the commencement of the audit. The net effect of all adjustments was to decrease net change in fund balance by approximately \$149,000 in the General Fund and approximately \$24,000 in the Special Education Fund.</p> <p><b>Recommendation</b> - We recommend the Intermediate School District continue to review and revise its year-end closing accounting procedures and controls to make certain that all account balances are completely and accurately reconciled and reviewed prior to the commencement of the annual audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Heritage Southwest Intermediate School District agrees with the above recommendation. The Intermediate School District continues to use its resources to adequately review and revise year-end closing procedures to make certain that all account balance reconciliations are completed accurately before the annual audit.</p>

**Section III - Federal Program Audit Findings**

Reference Number	Finding	Questioned Costs
<b>Current Year</b>	None	