

BLUE WATER COMMUNITY ACTION

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED SEPTEMBER 30, 2017



BLUE WATER COMMUNITY ACTION

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Blue Water Community Action
Port Huron, Michigan

We have audited the financial statements of Blue Water Community Action (the "Agency") (a nonprofit organization) as of and for the year ended September 30, 2017 and have issued our report thereon dated February 20, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. The accompanying schedule of transportation expenses is presented for purposes of additional analysis as required by the Blue Water Area Transportation Commission and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Stewart Beauvais & Whipple".

Certified Public Accountants

February 20, 2018

BLUE WATER COMMUNITY ACTION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed through the Michigan Department of Education:</u>			
Child and Adult Care Food Program- Meal Reimbursement	10.558	171920	\$ 169,149
Cash-in-Lieu of Commodities		172010	6,850
			<u>175,999</u>
Food Distribution Cluster - Emergency Food Assistance Program - Administrative Costs	10.568	170990	40,655
Emergency Food Assistance Program - Food Commodities	10.569	N/A	164,561
			<u>205,216</u>
<u>Passed Through the Human Development Commission:</u>			
Commodity Supplemental Food Program	10.565	N/A	7,536
Total Food Distribution Cluster			<u>212,752</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>388,751</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Passed Through the Michigan State Housing Development Authority:</u>			
Housing Counseling Assistance Program 2016-2017	14.239	N/A	43,079
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>43,079</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through the Blue Water Area Transportation Commission:</u>			
Formula Grants for Rural Areas - Operating Assistance Section 18	20.509	EOC-16	3,945
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>3,945</u>
<u>U.S. DEPARTMENT OF TREASURY</u>			
<u>Direct Program:</u>			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N/A	7,025
TOTAL U.S. DEPARTMENT OF TREASURY			<u>7,025</u>

See notes to schedule of expenditures of federal awards.

BLUE WATER COMMUNITY ACTION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/ Pass-Through Grantor/ Program Title Grant Number	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF ENERGY</u>			
<u>Passed Through Michigan Department of Health and Human Services:</u>			
Weatherization Assistance- 2016-2017	81.042	WAP 16-74009	\$ 309,905
TOTAL U.S. DEPARTMENT OF ENERGY			<u>309,905</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Michigan Department of Health and Human Services:</u>			
Low Income Home Energy Assistance Program - MPSC/LIHEAP Deliverable Fuel - 2016-2017	93.568	LCA 16-74009	96,979
LIHEAP - Weatherization Assistance		WAP 16-74009	90,710
<u>Passed Through Michigan Community Action:</u>			
Low Income Home Energy Assistance Program - 2016-2017	93.568	N/A	57,909
Total Low Income Home Energy Assistance Program			<u>245,598</u>
<u>Passed Through Michigan Department of Health and Human Services:</u>			
Community Services Block Grant - Master Agreement	93.569	CSBG-14-74009	300,898
<u>Direct Programs:</u>			
Head Start-	93.600		
Full Year, Part Day 2016-17		N/A	1,934,187
Full Year, Part Day 2017-18		N/A	225,281
Early Headstart, 2016-17		N/A	806,220
Early Headstart, 2017-18		N/A	65,758
Duration, 2016-17		N/A	152,103
Duration, 2017-18		N/A	9,893
Total Head Start			<u>3,193,442</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,739,938</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,492,643</u>

See notes to schedule of expenditures of federal awards

BLUE WATER COMMUNITY ACTION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Blue Water Community Action (the "Agency") for the year ended September 30, 2017. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, the *accrual basis*, although the basis for determining when federal awards are expended 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). In addition, expenditures reported on the Schedule are recognized following either the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, or the Uniform Guidance, 2 CFR Part 200, Subpart E, *Cost Principles*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented on the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Capital asset acquisitions made with federal grant resources are recognized on the Schedule as expenditures at the purchase price. Commodities are recognized as revenue in the accounting period in which they are received and distributed. The related expenses are recognized at the same time as an offsetting entry. The value of commodities is based on valuations provided by the Michigan Department of Education (MDE).

The Agency has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Revenue has been accrued at September 30, 2017 to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as refundable advances.

Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

BLUE WATER COMMUNITY ACTION

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 2 - SUPPLEMENTARY DATA:

The following table was prepared to meet the Single Audit reporting requirements of the MDE:

	Accrued (Deferred) Revenue <u>10-1-16</u>	Prior Years Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue <u>9-30-17</u>
Child Care Food Program					
Meals reimbursement -					
161920	\$ 9,070	\$ 133,920	\$ -	\$ 9,070	\$ -
171920	-	-	169,149	152,063	17,086
	<u>9,070</u>	<u>133,920</u>	<u>169,149</u>	<u>161,133</u>	<u>17,086</u>
Cash in Lieu -					
162010	368	6,136	-	368	-
172010	-	-	6,850	6,165	685
	<u>368</u>	<u>6,136</u>	<u>6,850</u>	<u>6,533</u>	<u>685</u>
Total CFDA #10.558	<u>\$ 9,438</u>	<u>\$ 140,056</u>	<u>\$ 175,999</u>	<u>*\$ 167,666</u>	<u>\$ 17,771</u>
Temporary Emergency					
Food Assistance -					
160990	\$ 4,324	\$ 39,450	\$ -	\$ 4,324	\$ -
170990	-	-	40,655	40,655	-
	<u>4,324</u>	<u>39,450</u>	<u>40,655</u>	<u>*\$ 44,979</u>	<u>\$ -</u>
Total CFDA #10.568	<u>\$ 4,324</u>	<u>\$ 39,450</u>	<u>\$ 40,655</u>	<u>*\$ 44,979</u>	<u>\$ -</u>

*Agrees with amounts reported on the MDE Grant Auditors Report - Form R7120.

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS:

Grants and awards per basic financial statements	\$ 5,488,493
Less: State grants	(781,354)
Local grants	(214,496)
Expenditures of federal awards	<u>\$ 4,492,643</u>

NOTE 4 - RECONCILIATION OF HEAD START EXPENDITURES TO REPORTS:

	<u>Grant Year Ending August 31,</u>	
	<u>2016</u>	<u>2017</u>
Expenditures in financial statements:		
September 1 - September 30	\$ 293,246	\$ 283,694
October 1 - August 31	2,837,809	2,892,510
	3,131,055	3,176,204
Expenditures per Federal Financial Report (FFR)	<u>3,134,003</u>	<u>3,173,256</u>
	<u>\$(2,948)</u>	<u>\$ 2,948</u>

Variances are due to an adjustment during the audit reported in the incorrect grant year. The FFR's are reported correctly and total expenditures are correct per each fiscal year.

BLUE WATER COMMUNITY ACTION

**SCHEDULE OF TRANSPORTATION EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Operations</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -			
Other salaries and wages	\$ 80,769	\$ 11,947	\$ 92,716
Fringe benefits	27,455	3,258	30,713
Services -			
Other services	1	2,641	2,642
Materials and Supplies Consumed -			
Other materials and supplies	20	196	216
Utilities	246	155	401
Casualty and Liability Costs -			
Liability	138	177	315
Miscellaneous Expenses -			
Travel and meetings	312	661	973
Dues and subscriptions	-	478	478
Other miscellaneous expenses	1,296	1,093	2,389
Total Operating Expenses	<u>\$ 110,237</u>	<u>\$ 20,606</u>	<u>\$ 130,843</u>

**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 Directors
Blue Water Community Action
Port Huron, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blue Water Community Action (the "Agency") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Blue Water Community Action'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.



Certified Public Accountants

February 20, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Blue Water Community Action
Port Huron, Michigan

Report on Compliance for the Major Federal Program

We have audited Blue Water Community Action's (the "Agency") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2017. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 Agency'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* (CFR) 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 Agency'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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on the Major Federal Program

In our opinion, Blue Water Community Action complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the its major federal program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Blue Water Community Action 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 Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Agency'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.


Certified Public Accountants

February 20, 2018

BLUE WATER COMMUNITY ACTION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no
Significant deficiency(ies) identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes x no
Significant deficiency(ies) identified 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 2 CFR, Section
200.516 (a), of the Uniform Guidance? _____ yes x no

Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.600	Head Start

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:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no federal award findings or questioned costs.

Section IV - Prior-year Findings and Questioned Costs:

There were no prior-year findings or questions costs.