

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

SINGLE AUDIT

JUNE 30, 2011

Baird, Cotter and Bishop, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2011

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July 28, 2011

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
Marion Public Schools
Marion, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools as of and for the year ended June 30, 2011, which collectively comprise Marion Public Schools' basic financial statements and have issued our report thereon dated July 28, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion Public Schools' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Public Schools' financial statements are free of 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*.

We noted certain other matters that we reported to management of Marion Public Schools in a separate letter dated July 28, 2011.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties. The restriction on the use of the report is required. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

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July 28, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Marion Public Schools
Marion, Michigan

COMPLIANCE

We have audited Marion Public School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marion Public School's major federal programs for the year ended June 30, 2011. Marion Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion Public Schools' management. Our responsibility is to express an opinion on Marion Public Schools' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Marion Public Schools' 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. Our audit does not provide a legal determination of Marion Public Schools' compliance with those requirements.

In our opinion, Marion Public Schools complied, in all material respects, with the 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, 2011.

INTERNAL CONTROL OVER COMPLIANCE

Management of Marion Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marion Public Schools internal

control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Marion Public Schools' 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 28, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Public Schools' basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 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.

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. The restriction on the use of the report is required. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2010	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2011	ADJUSTMENTS
U.S. Department of Education								
Early Reading First								
Project No. S359B070026	84.359B	\$ 3,796,400	\$ 83,366	\$ 960,005	\$ 723,598	\$ 813,785	\$ (6,821)	\$ 0
Passed Through Michigan Department of Education (M.D.E.)								
Title I Part A Cluster								
Title I, Part A - Improving Basic Programs								
Project No. 101530-0910	84.010	360,334	87,336	337,616	0	87,336	0	0
Project No. 111530-1011	84.010	354,660	0	0	346,903	240,929	105,974	0
Total	84.010	714,994	87,336	337,616	346,903	328,265	105,974	0
ARRA Title I Part A - Improving Basic Programs								
Project No. 101535-0910	84.389	207,715	28,027	108,204	0	28,027	0	0
Project No. 111535-1011	84.389	99,510	0	0	99,024	72,652	26,372	0
Total	84.389	307,225	28,027	108,204	99,024	100,679	26,372	0
ARRA Title I 4% School Improvement								
Project No. 101555-0910	84.389A	179,221	0	0	105,584	74,219	31,365	0
Total Title I Part A Cluster		1,201,440	115,363	445,820	551,511	503,163	163,711	0
Educational Technology State Grants Cluster								
Title II D Enhancing Education Through Technology								
Project No. 104290-0910	84.318	1,606	798	1,598	0	798	0	0
ARRA Title II D - Enhancing Education Through Technology								
Project No. 104295-0910	84.386	7,043	1,722	6,643	0	1,722	0	0
Project No. 114295-1011	84.386	400	0	0	400	400	0	0
Total	84.386	7,443	1,722	6,643	400	2,122	0	0
Total Educational Technology State Grants Cluster		9,049	2,520	8,241	400	2,920	0	0
Title II A - Teacher/Principal Training & Recruiting								
Project No. 100520-0910	84.367	62,690	15,188	59,667	0	15,188	0	0
Project No. 110520-1011	84.367	84,497	0	0	53,400	34,785	18,615	0
Total	84.367	147,187	15,188	59,667	53,400	49,973	18,615	0
Title XIV ARRA State Fiscal Stabilization Fund								
Project No. 112525-1011	84.394	68,054	0	0	68,054	68,054	0	0
Total Passed Through Michigan Department of Education (M.D.E.)		1,425,730	133,071	513,728	673,365	624,110	182,326	0
Passed Through Mecosta-Osceola Intermediate School District (I.S.D.)								
IDEA ARRA Flowthrough Part B								
Project No. 100455-0910	84.391A	38,550	54,030	0	38,550	76,836	15,744	0
Total U.S. Department of Education		5,260,680	270,467	1,473,733	1,435,513	1,514,731	191,249	0

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2010	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2011	ADJUSTMENTS
U.S. Department of Health and Human Services								
Passed Through Wexford-Missaukee Intermediate School District (I.S.D.)								
Medicaid Outreach								
Project No. None	93.778	1,224	362	0	1,224	1,586	0	0
Total U.S. Department of Health and Human Services		1,224	362	0	1,224	1,586	0	0
U.S Department of Agriculture								
Passed Through Michigan Department of Education (M.D.E.)								
Child Nutrition Cluster								
Non-Cash Assistance (Commodities):								
National School Lunch								
Entitlement Commodities	10.555	16,377	0	0	18,542	18,542	0	0
Bonus Commodities	10.555	2,550	0	0	2,809	2,809	0	0
Total Non-Cash Assistance		18,927	0	0	21,351	21,351	0	0
Cash Assistance:								
National School Lunch Program								
Section 4 - Total Servings - 101950 and 111950	10.555	17,097	0	0	17,097	17,097	0	0
Section 11 - Total Servings - 101960 and 111960	10.555	110,508	0	0	110,508	110,508	0	0
National School Lunch Breakfast Program								
101970 and 111970	10.553	38,210	0	0	38,210	38,210	0	0
Summer Food Service Program for Children								
090900 and 091900	10.559	3,896	1,322	0	0	0	1,322	0
100900 and 1011900	10.559	7,073	0	0	9,397	7,235	2,162	0
Total Cash Assistance		176,784	1,322	0	175,212	173,050	3,484	0
Total Child Nutrition Cluster		195,711	1,322	0	196,563	194,401	3,484	0
Passed Through Clare County								
Schools and Roads								
National Forest Land	10.665	4,223	0	0	4,223	4,223	0	0
Total U.S. Department of Agriculture		199,934	1,322	0	200,786	198,624	3,484	0
Total Federal Financial Assistance		\$ 5,461,838	\$ 272,151	\$ 1,473,733	\$ 1,637,523	\$ 1,714,941	\$ 194,733	\$ 0
					(B)	(C)		

MARION PUBLIC SCHOOLS
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2011, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Revenues from Federal Sources - Statement of Revenues,	
Expenditures and Changes in Fund Balances - Governmental Funds	\$ <u>1,637,523</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u>1,637,523</u>

(C) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per Cash Management System (CMS)		\$ 901,507
Add Items Not on CMS Report:		
Amounts Received as Pass Through from:		
Clare County, Schools and Roads, National Forest Land	\$ 4,223	
Amounts Received Through Intermediate School District		
Medicaid Outreach	1,586	
IDEA ARRA Flowthrough Part B	76,836	
Amounts Received as Payments in Kind		
Entitlement Commodities	18,542	
Bonus Commodities	2,809	
Amounts Received Directly from U.S. Department of Education		
Early Reading First	<u>813,785</u>	917,781
Reconciliation of differences on CMS report due to timing of receipts:		
Amounts Received by the District in 2011-2012 that CMS included in 2010-2011		
Title I, Part A - Project No. 111530-1011	(59,584)	
ARRA Title I, Part A - Project No. 111535-1011	(13,034)	
ARRA Title I 4% School Improvement - Project No. 101555-0910	(10,830)	
Title II A - Project No. 110520-1011	<u>(20,899)</u>	<u>(104,347)</u>
		<u>\$ 1,714,941</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditors Results

Financial Statements

Type of auditors' report issued: Unqualified

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 programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389 & 84.389A	Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk? X Yes _____ No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

