

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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July 31, 2009

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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 for the year ended June 30, 2009, and have issued our report thereon dated July 31, 2009. Professional standards require that we provide you with information about responsibilities under generally accepted accounting standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 15, 2009. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marion Public Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008-09. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

##### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 31, 2009.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Marion Public Schools for the year ended June 30, 2009, we noted the following list of items which we feel deserve comment:

#### Food Service Fund

The Food Service fund needed less support from the General Fund this year, which is positive. However, the Food Service fund ended the year with a deficit fund balance of \$780. This deficit was created as a result of transactions that happened right at year end as well as year end accrual entries which did not allow enough time to transfer additional funds from the General Fund to cover this deficit until the new fiscal year.

Additionally, student meal balances show a gross amount owed to the school district of over \$2,000 meaning that students within the district have charged and not paid for meals by year end. We recommend the district adopt a more strict policy regarding student account balances.

### Grant Administration

In an effort to improve cash flow, the District should request grant revenue on a regular basis as eligible grant expenses are incurred and paid.

### Public Act 621 (PA 621)

In several activities in the General Fund expenditures exceeded the budgeted amounts. Additionally, expenditures in two special revenues exceeded budgeted amounts. PA 621 requires that the budget be amended to allow for expenditures before incurring the expenditures. These overages were immaterial and/or a result of adjustments after year end.

### Limited Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently has limited controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and limited documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the *potential* exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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