

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

SINGLE AUDIT

JUNE 30, 2009

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>PAGES</u>
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	1-2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5-6
Notes to Schedule of Expenditures of Federal Awards	7-8
Summary Schedule of Prior Audit Findings	9-10
Schedule of Findings and Questioned Costs	11-12

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

July 31, 2009

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, 2009, which collectively comprise Marion Public Schools' basic financial statements and have issued our report thereon dated July 31, 2009. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion Public School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Item 2009-A) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described in Item 2009-A is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Marion Public School's 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 also noted certain other matters that we reported to management of Marion Public Schools in a separate letter dated July 31, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Marion Public School's response and, accordingly, we express no opinion on it.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

July 31, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 the compliance of Marion Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 on Marion Public Schools' compliance with those requirements.

In our opinion, Marion Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of Marion Public Schools is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the district's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 2009, and have issued our report thereon dated July 31, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marion Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2008	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2009	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Grants to Local Education Agencies								
Project No. 091530-0809	84.010	\$ 360,800	\$ 0	\$ 0	\$ 335,670	\$ 0	\$ 335,670	\$ 0
Project No. 081530-0708	84.010	309,847	45,833	259,788	0	45,833	0	0
Total	84.010	<u>670,647</u>	<u>45,833</u>	<u>259,788</u>	<u>335,670</u>	<u>45,833</u>	<u>335,670</u>	<u>0</u>
Drug Free Schools and Communities								
Project No. 072860-0708	84.186	5,485	1,966	5,485	0	1,966	0	0
Project No. 082860-0708	84.186	5,548	5,548	5,548	0	5,548	0	0
Project No. 092860-0809	84.186	4,554	0	0	4,200	0	4,200	0
Total	84.186	<u>15,587</u>	<u>7,514</u>	<u>11,033</u>	<u>4,200</u>	<u>7,514</u>	<u>4,200</u>	<u>0</u>
Title V LEA Allocation								
Project No. 090250-0809	84.298	2,768	0	0	0	0	0	0
Title II D Technology Literacy Challenge Grants								
Project No. 094290-0809	84.318	3,277	0	0	1,671	0	1,671	0
Project No. 084290-0708	84.318	3,144	87	2,663	0	87	0	0
Total	84.318	<u>6,421</u>	<u>87</u>	<u>2,663</u>	<u>1,671</u>	<u>87</u>	<u>1,671</u>	<u>0</u>
Reading First State Grants								
Project No. 082930-0708	84.357	256,266	62,291	252,322	3,944	66,235	0	0
Title VI B Rural and Low Income Schools								
Project No. 090660-0809	84.358B	16,043	0	0	16,043	0	16,043	0
Project No. 080660-0708	84.358B	2,228	2,228	2,228	0	2,228	0	0
Total	84.358B	<u>18,271</u>	<u>2,228</u>	<u>2,228</u>	<u>16,043</u>	<u>2,228</u>	<u>16,043</u>	<u>0</u>
Title II A Improving Teacher Quality								
Project No. 090520-0809	84.367	94,741	0	0	85,717	0	85,717	0
Project No. 080520-0708	84.367	78,719	15,456	51,767	339	15,795	0	0
Total	84.367	<u>173,460</u>	<u>15,456</u>	<u>51,767</u>	<u>86,056</u>	<u>15,795</u>	<u>85,717</u>	<u>0</u>
Title XIV ARRA State Fiscal Stabilization Fund								
Project No. 092525-0809	84.394	229,491	0	0	229,491	0	229,491	0
Total Passed Through Michigan Department of Education (M.D.E.)		<u>1,372,911</u>	<u>133,409</u>	<u>579,801</u>	<u>677,075</u>	<u>137,692</u>	<u>672,792</u>	<u>0</u>
Early Reading First								
Project No. S359B070026	84.359B	3,796,400	45,999	772,884	1,154,778	1,088,477	112,300	0
Total U.S. Department of Education		<u>5,169,311</u>	<u>179,408</u>	<u>1,352,685</u>	<u>1,831,853</u>	<u>1,226,169</u>	<u>785,092</u>	<u>0</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2008	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2009	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	1,895	0	0	1,895	1,895	0	0
Total U.S. Department of Health and Human Services		1,895	0	0	1,895	1,895	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	12,422	0	0	12,422	12,422	0	0
Bonus Commodities	10.555	2,131	0	0	2,131	2,131	0	0
Total Non-Cash Assistance		14,553	0	0	14,553	14,553	0	0
Cash Assistance:								
National School Lunch								
Section 4 - Total Servings - 081950 and 091950	10.555	16,853	0	0	16,853	16,853	0	0
Section 11 - Total Servings - 071960 and 081960	10.555	98,703	0	0	98,703	98,703	0	0
National School Lunch Breakfast Program 081970 and 091970	10.553	28,085	0	0	28,085	28,085	0	0
Summer Food Service Program for Children 080900 and 081900	10.559	1,500	1,500	1,500	0	1,500	0	0
080900 and 081900	10.559	4,960	0	0	4,960	3,690	1,270	0
Total Cash Assistance		150,101	1,500	1,500	148,601	148,831	1,270	0
Total Child Nutrition Cluster		164,654	1,500	1,500	163,154	163,384	1,270	0
Passed Through Clare County								
Schools and Roads								
National Forest Land	10.665	9,365	0	0	9,365	9,365	0	0
Total U.S. Department of Agriculture		174,019	1,500	1,500	172,519	172,749	1,270	0
Total Federal Financial Assistance		\$ 5,345,225	\$ 180,908	\$ 1,354,185	\$ 2,006,267	\$ 1,400,813	\$ 786,362	\$ 0
					(C)	(B)		

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(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, 2009 basic financial statements.

(B) Reconciliation of Grant Section Auditor's 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)		\$ 137,692
Add Items Not on CMS Report:		
Amount Received as Pass Through from:		
Clare County, Schools and Roads, National Forest Land	\$ 9,365	
Amounts Received Through Intermediate School District		
Medicaid Outreach	1,895	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	12,422	
Bonus Commodities	2,131	
Amounts Received Directly from U.S. Department of Education:		
Early Reading First	1,088,477	1,114,290
Amounts reported on 06/30/09 R7120 Grants Section Auditors Report not recorded on CMS Grant Auditor Report		
Child Nutrition Cluster		
Summer Food Service Program	5,190	
National School Lunch Program	115,556	
National School Breakfast Program	28,085	148,831
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards		\$ 1,400,813

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Revenues from Federal Sources – Statement of Revenues,
Expenditures and Changes in Fund Balance – Governmental Funds

\$ 2,006,267

Federal Expenditures per Schedule of Expenditures of Federal Awards

\$ 2,006,267

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Basic Financial Statement Findings

(from the 2007/2008 fiscal year)

The District has a limited number of people involved in the accounting function due to financial constraints in allocating resources to this activity. This condition hampers the ability of the District to adequately segregate duties to enhance internal control.

The District is aware of this limitation and continues to explore cost effective measures to improve this internal control limitation.

This finding is repeated for the current fiscal year.

Federal Award Findings and Questioned Costs

QUESTIONED
COSTS

2008-1 U.S. DEPARTMENT OF EDUCATION

N/A

Early Reading First – CFDA No. 84.359B
Direct From U.S. Department of Education
Reading First State Grants – CFDA No. 84.357
Passed Through Michigan Department of Education
Project No. – All Projects
Grant Period July 1, 2007 to June 30, 2008

Statement of Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties. This significant deficiency was considered to be a material weakness.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

QUESTIONED
COSTS

Criteria:

In an effort to utilize federal funds, expenditures to adequately segregate duties are not considered priority expenditure. Alternate means of internal control (budgets, grant reporting and management oversight) are considered to be an adequate substitute for segregation of duties in the overall internal control relative to federal program expenditures.

Effect:

Internal control limitation, but, as noted above, alternative procedures appear to provide an adequate replacement.

Cause:

Limited funds available.

Auditor Recommendation:

Additional staff assigned to the fiscal services department if funding for that position becomes available.

District Response:

Procedures for improvement will continue to be examined and, if practical, implemented.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Material weakness(es) identified: _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ 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 deficiencies identified that are not considered to be material weakness(es)? _____ 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 Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.359B	Early Reading First
84.394	Title XIV ARRA State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee? _____ Yes X No

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Section II - Findings - Basic Financial Statements Audit

2009-A

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a significant deficiency in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The significant deficiency noted above was not considered to be a material weakness.

View of Responsible Official/Corrective Action Plan

The District has taken significant action during the current fiscal year to correct this situation. During the 2008-2009 fiscal year, the District contracted with the Wexford-Missaukee Intermediate School District (ISD) to move essentially all of its business functions to the ISD. The ISD has a much larger accounting staff and can provide the segregation of duties that was not possible at Marion Public Schools due to its small size and relatively small number of people involved in the accounting functions. Additionally, the change has also resulted in a cost savings to the District. Due to this corrective action, the District believes there will be an appropriate level of segregation of duties in the 2009-2010 fiscal year.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

None

