

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

SINGLE AUDIT

JUNE 30, 2013



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

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MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2013

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July 25, 2013

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 the Board of Education
Mesick Consolidated Schools
Mesick, 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 the governmental activities, each major fund, and the aggregate remaining fund information of Mesick Consolidated Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Mesick Consolidated Schools' basic financial statements, and have issued our report thereon dated July 25, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Mesick Consolidated Schools' internal control over financial reporting (internal control) to determine the 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 Mesick Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Mesick Consolidated Schools' 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 Mesick Consolidated Schools' 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.

BAIRD, COTTER AND BISHOP, P.C.

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July 25, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mesick Consolidated Schools
Mesick, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Mesick Consolidated Schools' 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 Mesick Consolidated Schools' major federal programs for the year ended June 30, 2013. Mesick Consolidated Schools' major federal programs are 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Mesick Consolidated Schools' 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 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 Mesick Consolidated 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Mesick Consolidated Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Mesick Consolidated Schools complied, in all material respects, with the types of 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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Mesick Consolidated Schools 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 Mesick Consolidated Schools' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Mesick Consolidated 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. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

We have audited the financial statements of Mesick Consolidated Schools as of and for the year ended June 30, 2013, and have issued our report thereon dated July 25, 2013, which contained 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 the purposes of additional analysis as required by OMB Circular A-133 and is 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE / GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2012	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2013	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I - Part A Improving Basic Programs								
Project No. 121530 1112	84.010	\$ 355,077	\$ 100,408	\$ 330,839	\$ 9,691	\$ 110,099	\$ 0	\$ 0
Project No. 131530 1213	84.010	325,554	0	0	320,489	260,824	59,665	0
Total	84.010	680,631	100,408	330,839	330,180	370,923	59,665	0
Title VI-B								
Rural and Low Income								
Project No. 120660 1112	84.358B	15,184	3,271	12,542	0	3,271	0	0
Project No. 130660 1213	84.358B	16,604	0	0	5,345	0	5,345	0
Total	84.358B	31,788	3,271	12,542	5,345	3,271	5,345	0
Title IIA - Improving Teacher Quality								
Project No. 120520 1112	84.367	99,235	51,444	77,219	0	51,444	0	0
Project No. 130520 1213	84.367	73,932	0	0	42,705	26,587	16,118	0
Total	84.367	173,167	51,444	77,219	42,705	78,031	16,118	0
Education Jobs								
Project No. 112545 1011	84.410A	169,715	28,681	101,002	0	28,681	0	0
Project No. 112545 1112	84.410A	12,821	0	0	12,821	12,821	0	0
	84.410A	182,536	28,681	101,002	12,821	41,502	0	0
Total U.S. Department of Education		1,068,122	183,804	521,602	391,051	493,727	81,128	0
U.S. Department of Health and Human Services								
Passed Through Wexford-Missaukee Intermediate School District								
Medicaid Outreach - No Project Number	93.778	1,750	0	0	1,750	1,750	0	0

See accompanying notes

MESICK CONSOLIDATED SCHOOLS

MESICK, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE / GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2012	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2013	ADJUSTMENTS
U.S. Department of Agriculture								
Child Nutrition Cluster:								
Passed Through Michigan Department of Education (M.D.E)								
National School Lunch Program								
Section 11 - Free and Reduced - 121960 and 131960	10.555	165,891	0	0	165,891	165,891	0	0
School Lunch Breakfast Program								
Breakfast - 121970 and 131970	10.553	79,941	0	0	79,941	79,941	0	0
Summer Food Service Program								
110900 and 111900	10.559	6,608	1,193	6,608	0	1,193	0	0
120900 and 121900	10.559	3,783	0	0	3,783	2,218	1,565	0
Total	10.559	10,391	1,193	6,608	3,783	3,411	1,565	0
Total Cash Assistance		256,223	1,193	6,608	249,615	249,243	1,565	0
Food Distribution								
Entitlement Commodities - Non Cash Assistance	10.555	16,152	0	0	16,152	16,152	0	0
Total Child Nutrition Cluster		272,375	1,193	6,608	265,767	265,395	1,565	0
Fresh Fruit and Vegetable Program								
120950	10.582	21,668	2,353	21,668	0	2,353	0	0
Passed Through Wexford County and Manistee County, Michigan								
Schools and Roads: Grants to States - No Project Number	10.665	42,616	0	0	42,616	42,616	0	0
Total U.S. Department of Agriculture		336,659	3,546	28,276	308,383	310,364	1,565	0
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,406,531	\$ 187,350	\$ 549,878	\$ 701,184	\$ 805,841	\$ 82,693	\$ 0
					(B)	(C)		

See accompanying notes

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(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 District. The significant accounting policies used are described in footnote (1) to the June 30, 2013, basic financial statements.

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

Revenues from Governmental Funds - Statement of Revenues	
Expenditures and Changes in Fund Balance	\$ 717,531
Federal Expenditures related to Qualified Zone Academy Bonds that are not Required to be reported on the Schedule of Expenditures of Federal Awards	<u>(16,347)</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 701,184</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)	\$ 745,324
Add Items Not on CMS Report:	
Amounts Received Through Intermediate School District Medicaid Outreach	\$ 1,750
Amounts Received as Payments in Kind Food Distribution Program	
Entitlement Commodities	16,152
Amounts Received Through Wexford and Manistee County Schools and Roads - National Forest Land	42,616
Rounding	<u>(1) 60,517</u>
Current Year Cash Receipts per Schedule of Expenditures of Federal Awards	<u>\$ 805,841</u>

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Financial Statement Findings

None Reported

Federal Award Findings and Questioned Costs

None Reported

MESICK CONSOLIDATED SCHOOLS
MESICK, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's 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>
84.010	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 auditee? X Yes _____ No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

