

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

SINGLE AUDIT

JUNE 30, 2015



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

CERTIFIED PUBLIC ACCOUNTANTS
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SINGLE AUDIT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

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
Marion Public Schools
Marion, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marion Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Marion Public Schools' basic financial statements, and have issued our report thereon dated October 19, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Marion Public 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 Marion Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Marion Public 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 Marion Public 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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October 19, 2015

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
Marion Public Schools
Marion, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Marion Public 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 Marion Public Schools' major federal programs for the year ended June 30, 2015. Marion Public 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 Marion Public 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Marion Public Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Marion Public 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, 2015.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

Marion Public Schools' response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Marion Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Marion Public 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 Marion Public 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 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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we

identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

Marion Public Schools' response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Marion Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Marion Public Schools as of and for the year ended June 30, 2015, and have issued our report thereon dated October 19, 2015, 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.

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2015	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
Title I Part A Cluster								
Title I, Part A - Improving Basic Programs								
Project No. 141530-1314	84.010	\$ 345,607	\$ 15,405	\$ 322,743	\$ 3,654	\$ 19,059	\$ 0	\$ 0
Project No. 151530-1415	84.010	345,607	0	0	280,378	0	280,378	0
Total	84.010	691,214	15,405	322,743	284,032	19,059	280,378	0
Michigan-Safe and Supportive Schools								
Project No. 142790-SS2014	84.184	125,500	12,064	122,407	528	12,592	0	0
Project No. 152790-SS2015	84.184	100,400	0	0	100,400	38,705	61,695	0
Total	84.184	225,900	12,064	122,407	100,928	51,297	61,695	0
Title II A - Teacher/Principal Training & Recruiting								
Project No. 140520-1314	84.367	81,102	17,811	72,647	0	17,811	0	0
Project No. 150520-1415	84.367	74,948	0	0	60,021	0	60,021	0
Total	84.367	156,050	17,811	72,647	60,021	17,811	60,021	0
Total Passed Through Michigan Department of Education (M.D.E.)		1,073,164	45,280	517,797	444,981	88,167	402,094	0
Title VI B Rural and Low-Income								
Project No. None	84.358a	5,396	3,729	5,396	953	4,682	0	0
Total U.S. Department of Education		1,078,560	49,009	523,193	445,934	92,849	402,094	0
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	1,042	0	0	1,042	1,042	0	0
Total U.S. Department of Health and Human Services		1,042	0	0	1,042	1,042	0	0

See accompanying notes

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2014	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2015	ADJUSTMENTS
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	18,499	0	0	18,499	18,499	0	0
Cash Assistance:								
National School Lunch Program								
Section 11 - Total Servings - 141960 and 151960	10.555	194,616	0	0	194,616	194,616	0	0
National School Lunch Breakfast Program								
141970 and 151970	10.553	95,770	0	0	95,770	95,770	0	0
Summer Food Service Program for Children								
140900 and 141900	10.559	2,513	(2,019)	0	5,671	2,144	1,508	
Total Cash Assistance		292,899	(2,019)	0	296,057	292,530	1,508	0
Total Child Nutrition Cluster		311,398	(2,019)	0	314,556	311,029	1,508	0
Passed Through Clare County								
Schools and Roads								
National Forest Land	10.665	3,463	0	0	3,463	3,463	0	0
Total U.S. Department of Agriculture		314,861	(2,019)	0	318,019	314,492	1,508	0
Total Federal Financial Assistance		\$ 1,394,463	\$ 46,990	\$ 523,193	\$ 764,995	\$ 408,383	\$ 403,602	\$ 0
					(B)	(C)		

See accompanying notes

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(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, 2015, 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>764,995</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$	<u>764,995</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)		\$ 380,697
Add Items Not on CMS Report:		
Amounts Received as Pass Through from:		
Clare County, Schools and Roads, National Forest Land	\$	3,463
Amounts Received Through Intermediate School District		
Medicaid Outreach		1,042
Amounts Received from U.S. Department of Education		
Title VI B Rural and Low-Income		4,682
Amounts Received as Payments in Kind		
Entitlement Commodities	<u>18,499</u>	<u>27,686</u>
		<u>\$ 408,383</u>

MARION PUBLIC SCHOOLS
MARION, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

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? X Yes _____ 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 OMB Circular A-133? _____ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.553 & 10.559	Child Nutrition Cluster

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, 2015

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

2015-001 U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster - CFDA No. 10.553, 10.555, and 10.559

Passed Through Michigan Department of Education Project No. – All Projects

Grant Period July 1, 2014 to June 30, 2015

Finding Type – Significant deficiency in internal controls over compliance; noncompliance

Questioned Costs: None

Criteria: NSLP regulation 7 CFR 210.8 (a)(1) required that each School Food Authority (SFA) with more than one building conduct an annual on-site review in each building before February 1. A minimum of one on-site review per building is required; the district or SFA may conduct more reviews if needed.

Condition: The District did not comply with National School Lunch Program (NSLP) regulation 7 CFR 210.8 (a) (1) regarding on-site reviews.

Cause: District unable to locate the on-site review forms and food service director indicated that he was unaware of the annual requirement to complete on-site reviews.

Effect: The District has not complied with NSLP regulation 7 CFR 210.8 (a)(1) without this record keeping requirement being met.

Recommendation: The District should complete the required on-site reviews set forth by NSLP regulation 7 CFR 210.8 (a)(1).

View of Responsible Official: The District will immediately begin to comply with this requirement.

Corrective Action Plan: The Food Service Director will complete an on-site review annually before February 1st and keep a copy of the review forms on file.

