

MANTON CONSOLIDATED SCHOOLS

MANTON, MICHIGAN

SINGLE AUDIT

JUNE 30, 2017



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

CERTIFIED PUBLIC ACCOUNTANTS
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MANTON CONSOLIDATED SCHOOLS
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SINGLE AUDIT
YEAR ENDED JUNE 30, 2017

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September 29, 2017

INDEPENDENT AUDITOR'S 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
Manton Consolidated Schools
Manton, 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 Manton Consolidated Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Manton Consolidated Schools' basic financial statements and have issued our report thereon dated August 18, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Manton 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 the Manton Consolidated Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Manton 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Manton Consolidated 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*.

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 result 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.

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September 29, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Manton Consolidated Schools
Manton, Michigan

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Manton Consolidated Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Manton Consolidated Schools' major federal program for the year ended June 30, 2017. Manton 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 Manton 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each major federal program occurred. An audit includes examining, on a test basis, evidence about Manton 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 Manton Consolidated Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Manton 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, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Manton 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 Manton Consolidated Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 Manton 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 a 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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of Manton Consolidated Schools as of and for the year ended June 30, 2017, and have issued our report thereon dated September 29, 2017, which contained an 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 the Uniform Guidance 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 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANTON CONSOLIDATED SCHOOLS
MANTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (UNEARNED) REVENUE JULY 1, 2016	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (UNEARNED) REVENUE JUNE 30, 2017	ADJUSTMENTS	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS
U.S. Department of Education									
Passed Through Michigan Department of Education (M.D.E.)									
Title I Part A									
Project No. 161530-1516	84.010	\$ 262,531	\$ 77,558	\$ 260,004	\$ 0	\$ 77,558	\$ 0	\$ 0	\$ 0
Project No. 171530-1617	84.010	275,435	0	0	252,803	218,155	34,648	0	0
Total	84.010	537,966	77,558	260,004	252,803	295,713	34,648	0	0
Title II Part A									
Project No. 160520-1516	84.367	85,436	29,934	64,342	0	29,934	0	0	0
Project No. 170520-1617	84.367	76,532	0	0	57,703	56,481	1,222	0	0
Total	84.367	161,968	29,934	64,342	57,703	86,415	1,222	0	0
Title VI Part B									
Project No. 160660-1516	84.358	25,824	21,480	21,480	0	21,480	0	0	0
Project No. 170660-1617	84.358	23,925	0	0	20,810	4,810	16,000	0	0
Total	84.358	49,749	21,480	21,480	20,810	26,290	16,000	0	0
Total U.S. Department of Education		749,683	128,972	345,826	331,316	408,418	51,870	0	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	2,141	0	898	2,141	2,141	0	0	0
Total U.S. Department of Health and Human Services		2,141	0	898	2,141	2,141	0	0	0
U.S. Department of Agriculture									
Passed Through Michigan Department of Education									
Child Nutrition Cluster									
Non-Cash Assistance (Commodities):									
National School Lunch									
Entitlement Commodities	10.555	40,683	0	31,136	40,683	40,683	0	0	0
Cash Assistance:									
National School Lunch									
Section 11 - Total Servings - 161960, 161980, 171960, 171980	10.555	257,907	9,790	223,049	255,779	257,907	7,662	0	0
National School Breakfast Program 161970 and 171970	10.553	123,163	4,555	109,458	122,709	123,163	4,101	0	0
Summer Food Service Program 160900 and 161900	10.559	14,346	5,312	16,139	17,606	14,346	8,572	0	0
Total Cash Assistance		395,416	19,657	348,646	396,094	395,416	20,335	0	0
Total Child Nutrition Cluster		436,099	19,657	379,782	436,777	436,099	20,335	0	0
Total U.S. Department of Agriculture		436,099	19,657	379,782	436,777	436,099	20,335	0	0
Total Federal Financial Assistance		\$ 1,187,923	\$ 148,629	\$ 726,506	\$ 770,234	\$ 846,658	\$ 72,205	\$ 0	\$ 0

See accompanying notes

(D)

(E)

MANTON CONSOLIDATED SCHOOLS
MANTON, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(A) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Manton Consolidated Schools under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (The “Uniform Guidance”. Because the Schedule presents only a selected portion of the operations of Manton Consolidated Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Manton Consolidated Schools.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, Cost Principles for States, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) amounts reported as expenditures in prior years. Pass through entity identifying numbers are presented where available. Manton Consolidated Schools has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(C) Grant Auditor Report

Management has utilized the cash management (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass through federal funds to subrecipients.

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

Revenues from Federal Sources - Per Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 787,572</u>
Federal Expenditures Related to Qualified Zone Academy Bonds that are not Required to be Reported on the Schedule of Expenditures of Federal Awards	<u>\$ (17,338)</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 770,234</u>

MANTON CONSOLIDATED SCHOOLS
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Current Cash Payments per Cash Management System (CMS)	\$ 713,504
Less Items on CMS Report that are not federal funds:	
Technology Infrastructure Grant	(1,529)
Add amount on deposited in School District's bank account 7/1/2016 dated 6/30/2016 on CMS Report	91,859
Add Items Not on CMS Report:	
Amounts Received as Pass Through from Intermediate School District Medicaid Outreach	\$ 2,141
Amounts Received as Pass Through from Food Distribution Program Entitlement Commodities	<u>40,683</u> <u>42,824</u>
Current Year Receipts (Cash Basis) per Schedule of Expenditures of Federal Awards	<u>\$ 846,658</u>

MANTON CONSOLIDATED SCHOOLS
MANTON, MICHIGAN

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Financial Statement Findings

2016-001 Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Evaluate cost versus benefit of preparation of financial statements in accordance with GAAP.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Status: This finding has been corrected for the current fiscal year.

Federal Award Findings and Questioned Costs

None Reported

MANTON CONSOLIDATED SCHOOLS
MANTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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, 2017

Section II - Financial Statement Findings

None Reported

Section III –Federal Award Findings and Questioned Costs

None Reported

