



# Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

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August 13, 2018

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

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 the Marion Public Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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 19, 2018. 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. The significant accounting policies used by the Marion Public Schools are described in Note 1 to the financial statements. As described in Note 3.T to the financial statements, Marion Public Schools changed accounting policies related to pension reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in 2017-18. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. The application of existing policies was not changed during 2017-2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities of the Marion Public Schools' financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the liability of the payout of employee compensated absences are based on expected payout. Management's estimates of unfunded liabilities related to the Michigan Public School Employees' Retirement System are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant 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 clearly trivial, and communicate them to the appropriate level of management. The following summarizes uncorrected misstatements of the financial statements: The District received an IRS refund related to filing amended 941 forms. A portion of the refund, amounting to \$12,831, is employer money. This portion was recorded as a liability but should have been recorded as a revenue. The effect of this uncorrected misstatement is that revenues are understated by \$12,831 and liabilities are overstated by \$12,831. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 August 13, 2018.

### *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 District'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 the Marion Public Schools for the year ended June 30, 2018, we noted the following items which we feel deserve comment:

#### 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.

This condition was caused by limited personnel involved in the process and monies being collected at remote locations.

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 continues to evaluate ways to implement additional controls to correct or mitigate this situation in the future.

#### Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on a routine basis to ensure they are adequate and operating as intended.

#### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Net Other Postemployment Benefit Liability, the Schedule of Other Postemployment Benefit Contributions, and the Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Other Information section, which accompany the financial statements but are not the RSI. Such information has not been subjected to the auditing procedures applied in the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### Restriction on Use

This information is intended solely for the information and use of the School Board of Education and management of the Marion Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

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