

**Central Montcalm Public School**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**June 30, 2009**

Central Montcalm Public School

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Central Montcalm Public School  
Stanton, Michigan

Compliance

We have audited the compliance of Central Montcalm Public School 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. Central Montcalm Public School's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Central Montcalm Public School management. Our responsibility is to express an opinion on Central Montcalm Public School's 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 Nonprofit 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 Central Montcalm Public School's 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 Central Montcalm Public School's compliance with those requirements.

In our opinion, Central Montcalm Public School complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending June 30, 2009.

Internal Control Over Compliance

The management of Central Montcalm Public School 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 Central Montcalm Public School's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs 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 Central Montcalm Public School'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 entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited 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, the major fund, and the aggregate remaining fund information of Central Montcalm Public School as of and for the year ended June 30, 2009, and have issued our report thereon dated September 25, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Central Montcalm Public School's 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 and administration of Central Montcalm Public School, others within the District, the pass-through entities, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 25, 2009

Central Montcalm Public School

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Federal Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
E.S.E.A. Title I	84.010 <sup>(e)</sup>		
2008-09 Regular - Part A		0915300809	\$ 546,540
2007-08 Regular - Part A		0815300708	<u>513,285</u>
			1,059,825
Adult Education - State Admin	84.002		
2008-09		091130911107	75,000
2007-08		081130811107	<u>75,000</u>
			150,000
Title V	84.298		
2008-09		0902500809	466
Technology Literacy Challenge Grants	84.318		
2008-09		0942900809	4,396
Improving Teacher Quality	84.367		
2008-09		0905200809	146,015
2007-08		0805200708	<u>115,352</u>
			261,367
Education Stabilization Fund-ARRA	84.394 <sup>(e)</sup>	0925250809	697,513
Passed Through State Department of Education and Kent Intermediate School District			
Drug-Free Program	84.186		
2008-09		0928600809	13,446
2007-08		0728600708	<u>8,440</u>
			<u>21,886</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			2,195,453

<u>(Memo Only)</u> <u>Prior Years'</u> <u>Expenditures</u>	<u>Balance</u> <u>July 1, 2008</u> <u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u>	<u>Cash</u> <u>Receipts</u> <u>In-Kind</u> <u>Payments</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2009</u> <u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u>
\$ -	\$ -	\$ 425,273	\$ 505,058	\$ 79,785
<u>495,525</u>	<u>129,677</u>	<u>142,823</u>	<u>13,146</u>	<u>-0-</u>
495,525	129,677	568,096	518,204	79,785
-	-	45,678	75,000	29,322
<u>75,000</u>	<u>35,667</u>	<u>35,667</u>	<u>-</u>	<u>-0-</u>
75,000	35,667	81,345	75,000	29,322
-	-	-	466	466
-	-	-	-	-0-
-	-	109,876	129,857	19,981
<u>113,298</u>	<u>18,279</u>	<u>19,791</u>	<u>1,512</u>	<u>-0-</u>
113,298	18,279	129,667	131,369	19,981
-	-	-	697,513	697,513
-	-	5,255	7,755	2,500
<u>8,440</u>	<u>8,440</u>	<u>8,440</u>	<u>-</u>	<u>-0-</u>
<u>8,440</u>	<u>8,440</u>	<u>13,695</u>	<u>7,755</u>	<u>2,500</u>
692,263	192,063	792,803	1,430,307	829,567

Central Montcalm Public School

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2009

Federal Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
School Breakfast Program	10.553 <sup>(f)</sup>		
2008-09 Cash assistance		091970	\$ 104,508
2007-08 Cash assistance		081970	<u>102,220</u>
			206,728
National School Lunch Program	10.555 <sup>(f)</sup>		
2008-09 Cash assistance		091950, 091960, 091980	317,658
2007-08 Cash assistance		081950, 081960, 081965	312,543
2008-09 Noncash assistance <sup>(a) (c)</sup>		57020	<u>47,431</u>
			677,632
Summer Food Service Program	10.559 <sup>(f)</sup>		
2008-09 Cash assistance		080900, 081900	<u>3,861</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>888,221</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 3,083,674</u></u>

(Memo Only) Prior Years' Expenditures	Balance July 1, 2008 Accrued or (Deferred) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2009 Inventory/ Cash or (Payables)
\$ -	\$ -	\$ 104,508	\$ 104,508	\$ -0-
89,824	-	12,396	12,396	-0-
89,824	-0-	116,904	116,904	-0-
-	-	317,658	317,658	-0-
267,977	-	44,566	44,566	-0-
-	-	47,431	47,431	-0-
267,977	-0-	409,655	409,655	-0-
-	-	3,861	3,861	-0-
357,801	-0-	530,420	530,420	-0-
<u>\$ 1,050,064</u>	<u>\$ 192,063</u>	<u>\$ 1,323,223</u>	<u>\$ 1,960,727</u> <sup>(b)</sup>	<u>\$ 829,567</u>
		(d)	(g)	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2009

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of June 30, 2009, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year expenditures for the Food Donation Program are determined based on the 2002/03 guidance provided in the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Reports which is in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of conditioned commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the cumulative payment amounts in the Grants Section Auditors Report and the "paid during date range" amounts on the Grant Auditor Report combined.
- (e) Denotes programs tested as "major programs".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Agrees to total revenues from Federal sources per financial statements.

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3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
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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  
Central Montcalm Public School  
Stanton, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Central Montcalm Public School as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 25, 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 Central Montcalm Public School's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 as 2008-1 in the accompanying Schedule of Findings 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 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 item 2009-1, which is an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education and administration of Central Montcalm Public School, others within the District, the pass-through entities, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 25, 2009

Central Montcalm Public School

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

**Section I - Summary of Auditor's Results**

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**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 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 deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ 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 in accordance 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	E.S.E.A. Title I
84.394	Education Stabilization Fund - ARRA

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

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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**2008-1 ATHLETIC DEPOSITS**

Condition: During the course of our audit, it was noted that on one (1) occasion out of the ten (10) deposits that were tested from the Athletic Department there were differences between the amount reported and the amount deposited. The amounts collected and deposited to the bank were greater than the calculated amounts based on the number of tickets sold and the price of each ticket. There were also two (2) occasions when the deposit did not indicate the number of tickets sold. Similar issues were noted and reported in our audit comments last year.

Criteria: The number of tickets sold multiplied by the price of each ticket should equal the deposit to the bank.

Effect: The District's reconciliation process was not working appropriately on all transactions.

Central Montcalm Public School  
SCHEDULE OF FINDINGS - CONTINUED  
Year Ended June 30, 2009

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**Section II - Financial Statement Findings - Continued**

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2008-1 ATHLETIC DEPOSITS - CONTINUED

Recommendation: We recommend that the District continue to perform reconciliations of the tickets sold to the bank deposit. Also, we recommend that any variances continue to be investigated and documented.

Corrective Action Response: The District will continue to work with and monitor individuals responsible for athletic gate receipts. We will ensure that procedures are being followed and that tickets sold are reconciling with bank deposits.

2009-1 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in total in the Food Service Special Revenue Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The District is not in compliance with Public Act 621 of 1978, as amended in these particular areas.

Recommendation: We recommend the District continue to monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is currently reviewing procedures related to budgetary compliance in accordance with State law.

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**Section III - Federal Award Findings and Questioned Costs**

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None

Central Montcalm Public School  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2009

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

2007-2 FRAUD RISK MANAGEMENT PROGRAM

Condition: During the course of our audit, we noted that the District has not developed or implemented a fraud risk management program.

Resolution: The District adopted an anti-fraud program in fiscal year 2009. This issue has been resolved in the current audit.

2008-1 ATHLETIC DEPOSITS

Condition: During the course of our audit, we noted that on two (2) separate occasions, the deposits from the Athletic Department were different from the amount reported. The amount collected and deposited to the bank was greater than it should have been based on the number of tickets sold and the price of each ticket. It was also noted that on one (1) occasion the deposit did not indicate the number of tickets sold.

Resolution: This issue has not been resolved during the fiscal year. This issue has been repeated in the current audit.