

**Tri County Area Schools**

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

**June 30, 2010**

Tri County Area Schools

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Tri County Area Schools  
Sand Lake, Michigan

Compliance

We have audited Tri County Area Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Tri County Area Schools' 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 are the responsibility of Tri County Area Schools' management. Our responsibility is to express an opinion on Tri County Area Schools' 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 major federal programs occurred. An audit includes examining, on a test basis, evidence about Tri County Area 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. Our audit does not provide a legal determination on Tri County Area Schools' compliance with those requirements.

In our opinion, Tri County Area Schools complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Tri County Area Schools 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 Tri County Area Schools' internal control over compliance with requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Tri County Area 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.

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 deficiencies, 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 Tri County Area Schools as of and for the year ended June 30, 2010, and have issued our report thereon dated September 22, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Tri County Area Schools' 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 administration and members of the Board of Education of Tri County Area Schools, others within the District, the pass-through entities, and the federal awarding agencies and is not intended to be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 22, 2010

Tri County Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through Michigan Department of Education			
E.S.E.A. Title I	84.010	(e)(h)	
2008-09 Regular - Part A		0915300809	\$ 303,591
2008-09 Schoolwide Plan Grants		0915200809	9,000
2008-09 Regular - Part A		0915300809	342,191
2009-10 Schoolwide Plan Grants		1015200910	<u>3,000</u>
			657,782
 E.S.E.A. Title I - ARRA 2009-10	 84.389	 (e)(h)	
		1015350910	189,040
 Education Technology State Grants - ARRA 2009-10 Ed Tech - Formula Grant	 84.386	 (i)	
		1042950910	6,953
 Education Technology State Grants 2008-09 Ed Tech - Formula Grant	 84.318	 (i)	
		0942900809	4,053
 Improving Teacher Quality 2008-09 2009-10	 84.367		
		0905200809	159,434
		1005200910	<u>245,645</u>
			405,079
 Education Stabilization Fund ARRA Stabilization 2009 ARRA Stabilization 2010	 84.394	 (e)	
		0925250809	915,570
		1025250910	<u>690,414</u>
			1,605,984
 Passed Through Michigan Department of Education and Montcalm Area ISD			
Education for Homeless Children and Youth 2009-10	84.196A		
		10111R320	11,215
 Special Education - IDEA ARRA Funding 2009 Economic Recovery Act 2010 Economic Recovery Act	 84.391A	 (e)	
		N/A	124,225
		1004550910	<u>178,278</u>
			302,503

<u>(Memo Only)</u> <u>Prior Years'</u> <u>Expenditures</u>	<u>Balance</u> <u>July 1, 2009</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, 2010</u> <u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u>
\$ 303,591	\$ 189,817	\$ 189,817	\$ -	\$ -0-
9,000	9,000	9,000	-	-0-
-	-	200,651	319,747	119,096
-	-	1,500	3,000	1,500
<u>312,591</u>	<u>198,817</u>	<u>400,968</u>	<u>322,747</u>	<u>120,596</u>
-	-	26,776	56,709	29,933
-	-	-	6,953	6,953
4,052	4,052	4,052	-	-0-
70,356	70,356	71,469	1,113	-0-
-	-	44,989	148,707	103,718
<u>70,356</u>	<u>70,356</u>	<u>116,458</u>	<u>149,820</u>	<u>103,718</u>
915,570	915,570	915,570	-	-0-
-	-	690,414	690,414	-0-
<u>915,570</u>	<u>915,570</u>	<u>1,605,984</u>	<u>690,414</u>	<u>-0-</u>
-	-	-	11,215	11,215
124,225	124,225	124,225	-	-0-
-	-	101,426	113,250	11,824
<u>124,225</u>	<u>124,225</u>	<u>225,651</u>	<u>113,250</u>	<u>11,824</u>

Tri County Area Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF EDUCATION - Continued			
Passed Through Michigan Department of Education and Kent ISD			
Drug-Free Program 2009-10	84.186	1028600910	\$ 5,676
TOTAL U.S. DEPARTMENT OF EDUCATION			3,188,285
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Michigan Department of Education			
School Breakfast Program	10.553 <sup>(f)</sup>		
2008-09 Cash Assistance		091970	119,457
2009-10 Cash Assistance		101970	144,610
			<u>264,067</u>
National School Lunch Program	10.555 <sup>(f)</sup>		
2008-09 Cash Assistance		091950,091960	322,672
2009-10 Cash Assistance		101950,101960	326,656
2009-10 Noncash Assistance <sup>(a)(c)</sup>		57020	45,742
			<u>695,070</u>
Summer Food Service Program	10.559 <sup>(f)</sup>		
2008-09		090900	27,926
2009-10		100900	24,836
			<u>52,762</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,011,899</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,200,184</u>

<u>(Memo Only)</u> <u>Prior Years'</u> <u>Expenditures</u>	<u>Balance</u> <u>July 1, 2009</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, 2010</u> <u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u>
\$ -	\$ -	\$ 4,340	\$ 1,340	\$ (3,000)
1,426,794	1,313,020	2,384,229	1,352,448	281,239
104,616	-	14,841	14,841	-0-
-	-	144,610	144,610	-0-
104,616	-0-	159,451	159,451	-0-
286,748	-	35,924	35,924	-0-
-	-	326,656	326,656	-0-
-	-	45,742	45,742	-0-
286,748	-0-	408,322	408,322	-0-
26,603	(1,323)	-	1,323	-0-
-	-0-	24,836	20,705	(4,131)
26,603	(1,323)	24,836	22,028	(4,131)
417,967	(1,323)	592,609	589,801	(4,131)
<u>\$ 1,844,761</u>	<u>\$ 1,311,697</u>	<u>\$ 2,976,838</u>	<u>\$ 1,942,249</u> <sup>(b)</sup>	<u>\$ 277,108</u>
		(d)	(g)	

Tri County Area Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Tri County Area Schools 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 (i) 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 Report 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 except as noted below. 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 payment amounts reflected in the Grants Section Auditors Report and the Grant Auditor Report combined, less the receipt adjustments for grants noted below. These funds were reflected on the above reports as disbursed as of June 30, 2009, but these funds were not received by the District until after July 1, 2009 so are reported as cash receipts by the District during the current fiscal year.

<u>Grant #</u>	<u>Payments Per MDE Report</u>	<u>Plus (Less): Difference between Cash Received and Reported</u>	<u>Cash Receipts Per Current SEFA</u>
0915200809	\$ 4,500	\$ 4,500	\$ 9,000
0915300809	-	189,817	189,817
0942900809	-	4,052	4,052
0905200809	1,113	70,356	71,469

- (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.
- (h) Denotes programs required to be clustered by the United States Department of Education.
- (i) Denotes programs required to be clustered by the United States Department of Education.

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REPORT ON COMPLIANCE AND 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  
Tri County Area Schools  
Sand Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tri County Area Schools as of and for the year ended June 30, 2010, which collectively comprise Tri County Area Schools' basic financial statements and have issued our report thereon dated September 22, 2010. 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 Tri County Area Schools' 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 Tri County Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri County Area Schools' internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 Tri County Area 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*.

This report is intended solely for the information and use of administration and members of the Board of Education of Tri County Area Schools, 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 22, 2010

Tri County Area Schools  
 SCHEDULE OF FINDINGS  
 Year Ended June 30, 2010

**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)? \_\_\_\_\_ 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 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:

CFDA Number(s)	Name of Federal Program or Cluster
84.391A 84.394 84.010, 84.389	Special Education IDEA-ARRA Education Stabilization Fund - ARRA Title I Cluster

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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None noted

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

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None noted

Tri County Area Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

There were no findings disclosed for the past two (2) years.