

Avondale School District

Auburn Hills, Michigan

Single Audit Report

June 30, 2011

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Independent Auditors' 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
Avondale School District
Auburn Hills, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avondale School District as of and for the year ended June 30, 2011, which collectively comprise Avondale School District's basic financial statements and have issued our report thereon dated October 26, 2011. 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 Avondale School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avondale School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Avondale School District's 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or 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 Avondale School 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Avondale School District in a separate letter dated October 26, 2011.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 26, 2011

**Independent Auditors' 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
Avondale School District
Auburn Hills, Michigan

Compliance

We have audited Avondale School District's 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 Avondale School District's major federal programs for the year ended June 30, 2011. Avondale School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Avondale School District's management. Our responsibility is to express an opinion on Avondale School District'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 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 Avondale School District'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 of Avondale School District's compliance with those requirements.

In our opinion, Avondale School District 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, 2011.

Internal Control Over Compliance

Management of Avondale School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Avondale School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 Avondale School District's 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 was not designed to 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 Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information] of Avondale School District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 26, 2011

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
National School Lunch Program								
Entitlement Commodities	10.555	\$ 49,223	\$ -	\$ -	\$ 49,223	\$ 49,223	\$ -	\$ -
Bonus Commodities		5,739	-	-	5,739	5,739	-	-
			-	-	54,962	54,962	-	-
Cash assistance								
111950 NSL Section 4 Lunches	10.555	57,633	-	-	57,633	55,476	-	2,157
101950 NSL Section 4 Lunches		57,275	3,646	57,275	-	3,646	-	-
111960 NSL Section 11 - Free and Reduced		283,222	-	-	283,222	272,506	-	10,716
101960 NSL Section 11 - Free and Reduced		281,187	17,496	281,187	-	17,496	-	-
111970 NSL Breakfast	10.553	57,033	-	-	57,033	54,155	-	2,878
101970 NSL Breakfast		59,031	5,320	59,031	-	5,320	-	-
			26,462	-	397,888	408,599	-	15,751
Total Nutrition Cluster			26,462	-	452,850	463,561	-	15,751
Passed through Michigan Department of Education								
0819F1 tn08 Youth Wellness-Federal	10.574	1,608	501	-	-	501	-	-
Total U.S. Department of Agriculture			26,963	-	452,850	464,062	-	15,751
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
111530 1011 Title I Part A	84.010	341,483	-	-	268,696	-	-	268,696
101530 0910 Title I Part A		301,456	43,579	263,035	-	43,579	-	-
111535 0910 ARRA Title I Part A	84.389a	87,337	-	-	87,337	-	-	87,337
101535 0910 ARRA Title I Part A		166,535	28,979	79,198	-	28,979	-	-
Total Title I Cluster			72,558	-	356,033	72,558	-	356,033
Passed through Oakland County Intermediate School District								
Special Education Cluster								
110450 1011 IDEA Flowthrough	84.027a	653,928	-	-	609,958	-	-	609,958
090450 0809 IDEA Flowthrough		636,137	41,953	136,893	-	41,953	-	-
100450 0910 IDEA Flowthrough		666,664	125,896	516,312	150,352	125,896	-	150,352
			167,849	-	760,310	167,849	-	760,310
110460 1011 Preschool Incentive	84.173a	18,797	-	-	18,797	-	-	18,797
090460 0809 Preschool Incentive		23,225	1,435	6,203	-	1,435	-	-
100460 0910 Preschool Incentive		21,767	3,798	21,767	-	3,798	-	-
			5,233	-	18,797	5,233	-	18,797

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
Special Education Cluster (continued)								
100455 0911 ARRA IDEA Flowthrough	84.391a	\$ 816,974	\$ 103,239	\$ 495,570	\$ 321,404	\$ 103,239	\$ -	\$ 321,404
100465 0911 ARRA Preschool Incentive	84.392a	27,069	4,204	27,069	-	4,204	-	-
Total Special Education Cluster			<u>280,525</u>		<u>1,100,511</u>	<u>280,525</u>	<u>-</u>	<u>1,100,511</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Safe and Drug Free Schools								
102860 0910 Drug Free Schools	84.186	12,037	5,895	11,710	-	5,895	-	-
Passed through Michigan Department of Education								
Title III Limited English								
110580 1011 Title III Limited English	84.365a	70,233	-	-	11,150	-	-	11,150
100580 0910 Title III Limited English		44,304	2,859	5,780	-	2,859	-	-
			<u>2,859</u>		<u>11,150</u>	<u>2,859</u>	<u>-</u>	<u>11,150</u>
Passed through Michigan Department of Education								
Title II Part A								
110520 1011 Title II Part A	84.367a	203,492	-	-	108,723	-	-	108,723
100520 0910 Title II Part A		199,538	35,538	78,732	-	35,538	-	-
			<u>35,538</u>		<u>108,723</u>	<u>35,538</u>	<u>-</u>	<u>108,723</u>
Passed through Michigan Department of Education								
112525 1011 ARRA - State Fiscal Stabilization Fund	84.394	446,316	-	-	446,316	446,316	-	-
Passed through Michigan Department of Education								
Education Jobs Fund								
84.410a		429,593	-	-	429,593	429,593	-	-
Passed through Michigan Department of Education								
104295 0910 ARRA Title II Part D	84.386a	6,125	1,680	1,680	-	1,680	-	-
114295 0910 ARRA Title II Part D Carryover		4,446	-	-	3,340	-	-	3,340
104290 0910 ARRA Title II Part D	84.318	2,009	-	-	2,009	-	-	2,009
			<u>1,680</u>		<u>5,349</u>	<u>1,680</u>	<u>-</u>	<u>5,349</u>
Total U.S. Department of Education			<u>399,055</u>		<u>2,457,675</u>	<u>1,274,964</u>	<u>-</u>	<u>1,581,766</u>
Total Federal Financial Awards			<u>\$ 426,018</u>		<u>\$ 2,910,525</u>	<u>\$ 1,739,026</u>	<u>\$ -</u>	<u>\$ 1,597,517</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The federal amounts reported on the forms Grant Auditor Report (GAR) are in agreement with the Schedule of Expenditures of Federal Awards with the exception of the following:

	Safe and Drug Free Schools	All Lunches	Breakfast	Free and Reduced Lunches	Title 1	Title III	Title II	ARRA Title II
	102860	111950	111970	111960	111530	110580	110520	114295
Amount reported on Grant Auditors Report	\$ -	\$ 61,280	\$ 62,353	\$ 300,717	\$ 216,869	\$ 9,678	\$ 7,875	\$ 2,009
Included in June 30, 2010 Grant Auditor Report but not received by the District until July 2010	5,895							
Included in June 30, 2011 grant auditor report but not received by the district until July 2011	<u>-</u>	<u>(2,157)</u>	<u>(2,879)</u>	<u>(10,716)</u>	<u>(216,869)</u>	<u>(9,678)</u>	<u>(7,875)</u>	<u>(2,009)</u>
Amount reported on the SEFA	<u>\$ 5,895</u>	<u>\$ 59,123</u>	<u>\$ 59,474</u>	<u>\$ 290,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following is a reconciliation between the federal revenues reported in the financial statements and the schedule of federal awards.

Federal revenues per the financial statements	\$ 3,286,048
Less federal reimbursed interest	<u>375,523</u>
Federal revenues per schedule of federal awards	<u>\$ 2,910,525</u>

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none

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(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' 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:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010 and 84.389a	Title I Cluster
84.027a, 84.173a, 84.391a and 84.392a	Special Education Cluster
84.410a	Education Jobs Fund
84.394	ARRA State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee? _____ yes X no

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2011.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for federal awards for the year ended June 30, 2011.

Avondale School District
Summary Schedule of Prior Audit Findings
June 30, 2011

SECTION IV – PRIOR AUDIT FINDINGS

Finding 2010-1 – Significant Deficiency

Criteria: The District's policy for bond expenditures states that two price quotes must be received on items exceeding \$500 and written quotes obtained for items that exceed \$2,500. In addition, although not District policy as of June 30, 2010, past practice shows purchase orders are used routinely for non bond expenditures.

Condition: During our review of bond expenditures we noted the following from our sample of 10 disbursements: (1) certain bid documentation was not available for disbursements selected for testing over the State mandated amount, (2) there was no documentation suggesting price quotes were obtained for items over \$500, (3) purchase orders were not used for 60% of the items selected. In addition, by not using purchase orders the District over spent the 2003 Building and Site Fund and therefore, both the General Fund and Sinking Fund had to cover the costs for the over spending.

Cause/Effect: An individual with purchasing capabilities made management decisions and purchases without following District policy once the Director of Business Services left the District mid-year.

Recommendation: We recommend current District policy be followed as stated above, as well as, implement a policy to require purchase orders be used for all expenditures over a certain dollar threshold. We also recommend the District review its spending policy and who has access to make purchases on the District's behalf. Employees not following District policy should not be allowed access to makes purchases.

Resolved.

Finding 2010-2 – Non compliance - Comparability

Program CFDA No: 84.010

CFDA Program Title: Title I

Federal Award No: 101530 0910

Federal Award Year: 2009-2010

Criteria - To be eligible to receive Title I funds, a Local Educational Agency (LEA) must use state and local funds to provide services in Title I schools that are at least comparable to services provided in non-Title I schools. If the LEA serves all of its schools with Title I funds within a particular grade span, the LEA must use state and local funds to provide services that are substantially comparable in each school. In addition, Districts must provide general education services in all Title I schools that are comparable to those provided in non-Title I schools in each grade span. If all schools are served by Title I, the general education services must be comparable in each school. The district must establish procedures for determining and

Avondale School District
Summary Schedule of Prior Audit Findings (Continued)
June 30, 2011

maintaining comparability. The district is responsible for calculating comparability status annually.

Condition - Comparability calculation was performed in the current year, however, the Full-Time Equivalent (FTE) assigned to the school and to federal programs could not be traced back to source data to confirm the distribution of staff.

Context – Due to a change in staffing in charge of the federal grant part way through the year source documentation was missing to support the FTE charged to the grant.

Cause/Effect – Individuals charged to the grant are not supported by District records therefore its unknown if comparability was met.

Recommendation - Recommend procedures be implemented to make sure the comparability report is completed on an annual basis and source documentation exists to support the individuals charged to the grant.

Resolved.

Finding 2010-3 Noncompliance – Services to non public schools

Program CFDA No: 84.010

CFDA Program Title: Title I

Federal Award No: 101530 0910

Federal Award Year: 2009-2010

Criteria – The district must offer services to the non public schools within the eligible attendance area.

Condition – No documentation could be located to indicate that the non public schools were offered services or their acceptance or denial of those services.

Context – Due to a change in staffing, the documentation was not retained.

Cause/Effect – It is unclear if the non public schools were offered services, and therefore it is unknown if they received the services they were entitled to.

Recommendation – The process of offering services to non public schools need to be reviewed and the documentation must be retained.

Resolved.

Avondale School District
Summary Schedule of Prior Audit Findings (Continued)
June 30, 2011

Finding 2010-4 Noncompliance – Eligibility

Program CFDA No: 84.010

CFDA Program Title: Title I

Federal Award No: 101530 0910

Federal Award Year: 2009-2010

Criteria – The district is required to prepare the School Selection worksheet in MEGS in order to determine the attendance areas having the highest concentrations of children from low-income families.

Condition – Documentation could not be produced to verify the data included in the School Selection worksheet

Context – The documentation supporting the needs assessment for the middle school could not be located.

Cause/Effect – Because the documentation could not be located for the needs assessment for the school selected, it could not be determined if the school selection worksheet had been properly completed.

Recommendation – The district needs to retain the supporting documentation used to complete required forms.

Resolved.