

**Avondale School District**

**Auburn Hills, Michigan**

**Single Audit Report**

**June 30, 2012**

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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, 2012, 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 November 8, 2012.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, 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  
November 8, 2012

**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, 2012. 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, 2012.

**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, 2012, 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.

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Management's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, 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  
November 8, 2012

**Avondale School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
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	\$ 57,563	\$ -	\$ -	\$ 57,563	\$ 57,563	\$ -	\$ -
Bonus Commodities		9,825	-	-	9,825	9,825	-	-
			<u>-</u>	<u>-</u>	<u>67,388</u>	<u>67,388</u>	<u>-</u>	<u>-</u>
Cash assistance								
111970 NSL Breakfast	10.553	62,829	2,878	57,033	5,796	8,674	-	-
121970 NSL Breakfast		63,651	-	-	63,651	61,252	-	2,399
111950 NSL Section 4 Lunches	10.555	57,633	2,157	57,633	-	2,157	-	-
111960 NSL Section 11 - Free and Reduced		323,360	10,716	283,222	40,138	50,854	-	-
121960 NSL Section 11 - Free and Reduced		323,656	-	-	323,656	315,286	-	8,370
			<u>15,751</u>	<u>397,888</u>	<u>433,241</u>	<u>438,223</u>	<u>-</u>	<u>10,769</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>15,751</u>	<u>397,888</u>	<u>500,629</u>	<u>505,611</u>	<u>-</u>	<u>10,769</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
111530 1011 Title I Part A	84.010a	341,483	268,696	268,696	-	268,696	-	-
121530 1112 Title I Part A		396,813	-	-	390,077	180,196	-	209,881
111535 0910 ARRA Title I Part A	84.389a	87,337	87,337	87,337	-	87,337	-	-
Total Title I Cluster			<u>356,033</u>	<u>356,033</u>	<u>390,077</u>	<u>536,229</u>	<u>-</u>	<u>209,881</u>
Passed through Oakland County Intermediate School District								
Special Education Cluster								
110450 1011 IDEA Flowthrough	84.027a	653,928	609,958	609,958	43,970	638,903	-	15,025
120450 1112 IDEA Flowthrough		659,778	-	-	586,057	207,101	-	378,956
100450 0910 IDEA Flowthrough		666,664	150,352	666,664	-	150,352	-	-
			<u>760,310</u>	<u>1,276,622</u>	<u>630,027</u>	<u>996,356</u>	<u>-</u>	<u>393,981</u>
110460 1011 Preschool Incentive	84.173a	18,797	18,797	18,797	-	18,797	-	-
120460 1112 Preschool Incentive		20,728	-	-	20,728	12,820	-	7,908
			<u>18,797</u>	<u>18,797</u>	<u>20,728</u>	<u>31,617</u>	<u>-</u>	<u>7,908</u>
100455 0911 ARRA IDEA Flowthrough	84.391a	816,974	321,404	816,974	-	321,404	-	-
Total Special Education Cluster			<u>1,100,511</u>	<u>2,112,393</u>	<u>650,755</u>	<u>1,349,377</u>	<u>-</u>	<u>401,889</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Avondale School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
Passed through Michigan Department of Education Title III Limited English								
110580 1011 Title III Limited English	84.365a	\$ 60,370	\$ 11,150	\$ 11,150	\$ -	\$ 11,150	\$ -	\$ -
120580 1112 Title III Limited English		77,041	-	-	48,714	-	-	48,714
			<u>11,150</u>	<u>11,150</u>	<u>48,714</u>	<u>11,150</u>	<u>-</u>	<u>48,714</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	-	108,723	-	-
120520 0910 Title II Part A		179,815	-	-	161,063	67,995	-	93,068
			<u>108,723</u>	<u>108,723</u>	<u>161,063</u>	<u>176,718</u>	<u>-</u>	<u>93,068</u>
Passed through Michigan Department of Education 114295 0910 ARRA Title II Part D Carryover	84.318	6,455	<u>5,349</u>	<u>5,349</u>	<u>-</u>	<u>2,437</u>	<u>(2,912)</u>	<u>-</u>
Total U.S. Department of Education			<u>1,581,766</u>	<u>2,593,648</u>	<u>1,250,609</u>	<u>2,075,911</u>	<u>(2,912)</u>	<u>753,552</u>
Total Federal Financial Awards			<u>\$ 1,597,517</u>	<u>\$ 2,991,536</u>	<u>\$ 1,751,238</u>	<u>\$ 2,581,522</u>	<u>\$ (2,912)</u>	<u>\$ 764,321</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards



**Avondale School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

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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, 2012.
3. The federal amounts reported on the form Grant Auditor Report are in agreement with the schedule of Expenditures of Federal Awards with the exception of the following:

	All Lunches 111950	Breakfast 111970	Free and Reduced Lunches 111960	Title 1 111530	Title III 110580	Title II 110520	Education Jobs Fund 112545
Amount reported on Grant Auditors Report	\$ -	\$ 5,796	\$ 40,138	\$ 51,827	\$ 1,472	\$ 100,848	\$ 252,182
Included in June 30, 2011 Grant Auditor Report but not received by the district until July 2011	<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>-</u>
Correction made on the current year Grant Auditor Report for an amount improperly listed on the 2011 Grant Auditor Report	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(252,182)</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 2,157</u>	<u>\$ 8,675</u>	<u>\$ 50,854</u>	<u>\$ 268,696</u>	<u>\$ 11,150</u>	<u>\$ 108,723</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	\$ 2,489,973
Less federal reimbursed interest	<u>738,735</u>
Federal revenues per schedule of federal awards	<u>\$ 1,751,238</u>

**Avondale School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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**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?   X   yes    \_\_\_\_\_ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.555, 10.553	Nutrition Cluster

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

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no

**Avondale School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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**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, 2012.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2012-01 – Adult Meal Pricing (Noncompliance)**

**Program Information** –National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA # 10.555.

**Criteria** – Adult lunch prices must equal at least the price charged to paying students plus the current value of federal cash and commodity assistance for full price meals and 6% sales tax.

**Condition** – The District did not include all factors when pricing lunch prices for adult meals. Adult lunch prices were not high enough to comply with program requirement.

**Cause/Effect** – The District did not collect \$.29 for each adult lunch served.

**Recommendation** – We recommend that all factors be considered when pricing adult meals.

**Management's Response** – The Director of Business Services and the Food Service Manager will annually review the adult meal pricing to ensure the adult meal price is in line with compliance requirements. The calculation will include looking at the student lunch price, the commodity allocation and the meal reimbursement rate. This calculation will be done electronically and saved in a file by the Director of Business Services. The rate was increased \$.75 at the start of the 2013 fiscal year.

**Avondale School District**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2012**

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**SECTION IV – PRIOR AUDIT FINDINGS**

There were no audit findings for the year ended June 30, 2011.