

Avondale School District

Auburn Hills, Michigan

Single Audit Report

June 30, 2013

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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***

Independent Auditors' Report

Management and the Board of Education
Avondale School District

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avondale School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Avondale School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned , we identified certain deficiencies in internal control that we consider to be a material weaknesses.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. See 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avondale School District's financial statements are free from 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*.

Avondale School District's Response to Findings

Avondale School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Avondale School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.
Saginaw, MI
October 29, 2013

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Management and the Board of Education
Avondale School District

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Avondale School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Avondale School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Avondale School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Avondale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Avondale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements. We issued our report thereon dated October 29, 2013, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 29, 2013

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2013
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	\$ 58,448	\$ -	\$ -	\$ 58,448	\$ 58,448	\$ -	\$ -
Cash assistance								
111970 NSL Breakfast	10.553	63,651	2,399	63,651	-	2,399	-	-
121970 NSL Breakfast		77,934	-	-	77,934	77,934	-	-
111960 NSL Section 11 - Free and Reduced	10.555	323,656	8,370	323,656	-	8,370	-	-
121960 NSL Section 11 - Free and Reduced		413,804	-	-	413,804	413,804	-	-
			<u>10,769</u>	<u>387,307</u>	<u>491,738</u>	<u>502,507</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>10,769</u>	<u>387,307</u>	<u>550,186</u>	<u>560,955</u>	<u>-</u>	<u>-</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
121530 1112 Title I Part A	84.010	396,813	209,881	390,077	-	209,881	-	-
131530 1213 Title I Part A		328,849	-	-	230,013	121,367	-	108,646
Total Title I			<u>209,881</u>	<u>390,077</u>	<u>230,013</u>	<u>331,248</u>	<u>-</u>	<u>108,646</u>
Passed through Oakland County Intermediate School District								
Special Education Cluster								
110450 1011 IDEA Flowthrough	84.027A	653,928	15,025	653,928	-	15,025	-	-
120450 1112 IDEA Flowthrough		659,778	378,956	586,057	73,721	378,956	-	73,721
130450 1213 IDEA Flowthrough		674,467	-	-	504,236	194,637	-	309,599
			<u>393,981</u>	<u>1,239,985</u>	<u>577,957</u>	<u>588,618</u>	<u>-</u>	<u>383,320</u>
120460 1112 Preschool Incentive	84.173A	20,728	7,908	20,728	-	7,908	-	-
130460 1213 Preschool Incentive		24,486	-	-	23,372	-	-	23,372
			<u>7,908</u>	<u>20,728</u>	<u>23,372</u>	<u>7,908</u>	<u>-</u>	<u>23,372</u>
Total Special Education Cluster			<u>401,889</u>	<u>1,260,713</u>	<u>601,329</u>	<u>596,526</u>	<u>-</u>	<u>406,692</u>
Passed through Michigan Department of Education								
Title III Limited English								
120580 1112 Title III Limited English	84.365	\$ 77,041	48,714	48,714	255	48,969	-	-
130580 1213 Title III Limited English		56,333	-	-	47,274	20,000	-	27,274
			<u>48,714</u>	<u>48,714</u>	<u>47,529</u>	<u>68,969</u>	<u>-</u>	<u>27,274</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2013
Passed through Michigan Department of Education								
Title II Part A								
120520 1112 Title II Part A	84.367	179,815	\$ 93,068	\$ 161,063	\$ -	\$ 93,068	\$ -	\$ -
130520 1213 Title II Part A		99,953	-	-	97,563	62,493	-	35,070
			<u>93,068</u>	<u>161,063</u>	<u>97,563</u>	<u>155,561</u>	<u>-</u>	<u>35,070</u>
Passed through Michigan Department of Education								
Education Jobs Fund								
	84.410A	32,453	-	-	32,073	32,073	-	-
Total U.S. Department of Education			<u>753,552</u>	<u>1,860,567</u>	<u>1,008,507</u>	<u>1,184,377</u>	<u>-</u>	<u>577,682</u>
Total Federal Financial Awards			<u>\$ 764,321</u>	<u>\$ 2,247,874</u>	<u>\$ 1,558,693</u>	<u>\$ 1,745,332</u>	<u>\$ -</u>	<u>\$ 577,682</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, 2013

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, 2013.
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:

	Title I <u>131530</u>	Title III <u>130580</u>
Amount reported on Grant Auditors Report	\$ 125,096	\$ 32,384
Included in June 30, 2013 Grant Auditor Report but not received by the district until July 2013	<u>3,729</u>	<u>12,384</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 121,367</u>	<u>\$ 20,000</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	\$ 2,297,428
Less federal reimbursed interest	<u>738,735</u>
Federal revenues per schedule of federal awards	<u><u>\$ 1,558,693</u></u>

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.027A, 84.173A	Special Education Cluster

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

Auditee qualified as low-risk auditee? yes no

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2013-001 – Material Weakness

Criteria: Identification and proper recognition of payables are required by generally accepted accounting principles.

Condition: There were instances of invoices in the capital projects fund identified that were for amounts material to the financial statements that were not properly recognized as accounts payable at year end.

Cause/Effect: The lack of proper recognition of payables could misstate the School District's financial statements.

Recommendation: We recommend that the School District institute procedures that would include performing steps to evaluate that all expenditures are recorded in the correct period, particularly evaluating any payments made after June 30th to determine that they are properly recorded in the correct fiscal year.

View of Responsible Officials and Corrective Action Plan: See plan on page 12.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to the federal awards for the year ended June 30, 2013.

Avondale School District
Summary Schedule of Prior Audit Findings
June 30, 2013

SECTION IV – PRIOR AUDIT FINDINGS

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.

Current Year Status – RESOLVED

Yeo & Yeo
3023 Davenport
Saginaw, MI 48605

Response to Finding 2013-001 – Material Weakness in Internal Control

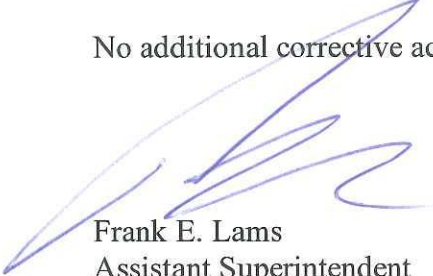
In the course of completing the audit of the 2012-13 financial statements, a material weakness in internal controls was identified, specifically "...instances of invoices in the capital projects fund identified that were for amounts material to the financial statements that were not properly recognized as accounts payable at year end."

The noted deficiency related to two invoices for construction projects that were received in late July/early August that should have been recorded as an account payable at fiscal year end. These invoices were originally coded as transactions of the 2013-14 fiscal year. An audit procedure found the deviation and an adjustment was made to the applicable financial statements.

The District is aware of the significance of properly identifying all invoices for accrual at year end. The Assistant Superintendent for Administrative Services reviews all invoices relating to the Capital Projects Fund and a significant portion of all other invoices received in July and August to note which should be accrued to the prior fiscal year. The invoices noted during audit were erroneously missed. The District has limited resources to add additional staffing which MAY have flagged these invoices for accrual. Due to the level of review already provided (the Assistant Superintendent for Administrative Services serves as the Chief Financial Officer), the District believes that it is not cost beneficial to add extra staffing to preclude the potential of addressing future miss applied invoices.

As District management is fully aware of the ramifications of this noted weakness, additional scrutiny of transactions subsequent to year end will be addressed by the Assistant Superintendent for Administrative Services.

No additional corrective action is deemed necessary.



Frank E. Lams
Assistant Superintendent
for Administrative Services