

Avondale School District

Auburn Hills, Michigan

Single Audit Report

June 30, 2014

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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, 2014, 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 November 14, 2014.

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.

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.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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
November 14, 2014

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, 2014. 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, 2014.

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, 2014, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements. We issued our report thereon dated November 14, 2014, 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
November 14, 2014

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Unearned) Revenue June 30, 2014
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	\$ 73,495	\$ -	\$ -	\$ 73,495	\$ 73,495	\$ -	\$ -
Cash assistance								
141970 NSL Breakfast	10.553	78,014	-	-	78,014	73,526	-	4,488
131970 NSL Breakfast		86,818	-	77,934	8,884	8,884	-	-
141960 NSL Section 11 - Free and Reduced	10.555	391,328	-	-	391,328	375,093	-	16,235
131960 NSL Section 11 - Free and Reduced		463,068	-	413,804	49,264	49,264	-	-
140900 SFSP	10.559	1,632	-	-	1,632	-	-	1,632
141900 SFSP		3,533	-	-	3,533	-	-	3,533
Total U.S. Department of Agriculture - Nutrition Cluster			-	491,738	606,150	580,262	-	25,888
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I								
141530 1314 Title I Part A	84.010	369,130	-	-	309,818	179,611	-	130,207
131530 1213 Title I Part A		328,849	108,646	230,013	7,076	115,722	-	-
			108,646	230,013	316,894	295,333	-	130,207
Passed through Oakland County Intermediate School District								
Special Education Cluster								
140450 1314 IDEA Flowthrough	84.027A	625,567	-	-	577,355	403,665	-	173,690
130450 1213 IDEA Flowthrough		674,467	309,599	504,236	170,231	417,963	-	61,867
120450 1112 IDEA Flowthrough		659,778	73,721	73,721	-	73,721	-	-
			383,320	577,957	747,586	895,349	-	235,557
140460 1314 Preschool Incentive	84.173A	24,440	-	-	24,440	19,340	-	5,100
130460 1213 Preschool Incentive		24,486	23,372	23,372	1,114	24,486	-	-
			23,372	23,372	25,554	43,826	-	5,100
Total Special Education Cluster			406,692	601,329	773,140	939,174	-	240,658

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Unearned) Revenue June 30, 2014
Passed through Michigan Department of Education								
Title III Limited English								
140580 1314 Title III Limited English	84.365	\$ 34,489	\$ -	\$ -	\$ 27,091	\$ 18,335	-	8,756
130580 1213 Title III Limited English		56,333	27,274	47,274	6,183	33,457	-	-
			<u>27,274</u>	<u>47,274</u>	<u>33,274</u>	<u>51,792</u>	<u>-</u>	<u>8,756</u>
Passed through Michigan Department of Education								
Title II Part A								
140520 1314 Title II Part A	84.367	79,680	-	-	67,039	24,582	-	42,457
130520 1213 Title II Part A		99,953	35,070	97,563	-	35,070	-	-
			<u>35,070</u>	<u>97,563</u>	<u>67,039</u>	<u>59,652</u>	<u>-</u>	<u>42,457</u>
Total U.S. Department of Education			<u>577,682</u>	<u>976,179</u>	<u>1,190,347</u>	<u>1,345,952</u>	<u>-</u>	<u>422,077</u>
Total Federal Financial Awards			<u>\$ 577,682</u>	<u>\$ 1,467,917</u>	<u>\$ 1,796,497</u>	<u>\$ 1,926,214</u>	<u>\$ -</u>	<u>\$ 447,965</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, 2014

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, 2014.
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:

	<u>Title I</u> <u>131530</u>	<u>Title III</u> <u>130580</u>	<u>Title II</u> <u>140520</u>	<u>Title III</u> <u>140580</u>	<u>Title I</u> <u>141530</u>
Amount reported on Grant Auditors Report	\$ 111,993	\$ 21,073	\$ 40,159	\$ 25,694	\$ 253,385
Report but not received by the district until July 2013	3,729	12,384	-	-	-
Report but not received by the district until July 2014	-	-	<u>15,577</u>	<u>7,359</u>	<u>73,774</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 115,722</u>	<u>\$ 33,457</u>	<u>\$ 24,582</u>	<u>\$ 18,335</u>	<u>\$ 179,611</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	\$ 2,476,502
Less federal reimbursed interest	<u>680,005</u>
Federal revenues per schedule of federal awards	<u><u>\$ 1,796,497</u></u>

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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>
10.553, 10.555, 10.559 84.010	Nutrition Cluster Title I

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, 2014

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2014.

SECTION III – FEDERAL AWARD FINDINGS

There were no findings or questioned costs related to the federal awards for the year ended June 30, 2014.

Avondale School District
Summary Schedule of Prior Audit Findings
June 30, 2014

SECTION IV – PRIOR AUDIT 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.

Management's Response – The invoices noted were erroneously missed. Additional scrutiny of transactions subsequent to year end will be addressed by the Assistant Superintendent for Administrative Services.

Current Year Status – RESOLVED