

Avondale School District

Single Audit Report

June 30, 2020



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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, 2020, 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 26, 2020.

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.

Auburn Hills, MI
October 26, 2020

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 the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
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 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, 2020. Avondale School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2020, 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 26, 2020, which contained unmodified opinions 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 26, 2020

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2020
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	\$ 77,529	\$ -	\$ -	\$ 77,529	\$ 77,529	\$ -
Cash assistance							
191970 School Breakfast Program	10.553	168,266	32,278	153,102	15,164	47,442	-
201970 School Breakfast Program		98,193	-	-	98,193	98,193	-
191960 National School Lunch Program	10.555	613,237	106,369	540,314	72,923	179,292	-
201960 National School Lunch Program		378,441	-	-	378,441	378,441	-
200902 COVID-19 National School Lunch Program		421,390	-	-	421,390	344,867	76,523
191980 National School Lunch Program - Snacks		4,655	648	4,463	192	840	-
201980 National School Lunch Program - Snacks		2,176	-	-	2,176	2,176	-
190900 Summer Food Service Program	10.559	24,574	3,648	3,648	20,926	24,574	-
191900 Summer Food Service Program		2,077	309	309	1,768	2,077	-
Total cash assistance			143,252	701,836	1,011,173	1,077,902	76,523
Total U.S. Department of Agriculture - Child Nutrition Cluster			143,252	701,836	1,088,702	1,155,431	76,523

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Education							
Passed through Michigan Department of Education							
Title I Grants to Local Educational Agencies							
191530 1819 Title I Grants to Local Educational Agencies	84.010	\$ 299,599	\$ 79,093	\$ 203,615	\$ 45,502	\$ 124,595	\$ -
201530 1920 Title I Grants to Local Educational Agencies		283,003	-	-	241,172	153,512	87,660
Total Title I Grants to Local Educational Agencies			79,093	203,615	286,674	278,107	87,660
Passed through Oakland County Intermediate School District							
Special Education Cluster							
190450 1819 Special Education Grants to States	84.027	907,181	223,019	740,091	157,146	297,105	83,060
200450 1920 Special Education Grants to States		922,333	-	-	760,372	484,471	275,901
Total Special Education Grants to States			223,019	740,091	917,518	781,576	358,961
190460 1819 Special Education Preschool Grants	84.173	25,304	12,445	25,176	-	12,445	-
200460 1920 Special Education Preschool Grants		28,250	-	-	28,250	-	28,250
Total Special Education Preschool Grants			12,445	25,176	28,250	12,445	28,250
Total Special Education Cluster			235,464	765,267	945,768	794,021	387,211

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Education							
Passed through Michigan Department of Education							
English Language Acquisition State Grants							
190580 1819 English Language Acquisition State Grants	84.365	\$ 64,636	\$ 9,734	\$ 28,900	\$ 17,954	\$ 27,688	\$ -
200580 1920 English Language Acquisition State Grants		46,320	-	-	35,829	17,875	17,954
Total English Language Acquisition State Grants			9,734	28,900	53,783	45,563	17,954
Supporting Effective Instruction State Grants							
190520 1819 Supporting Effective Instruction State Grants	84.367	144,636	18,392	78,930	6,247	24,639	-
200520 1920 Supporting Effective Instruction State Grants		135,734	-	-	126,808	88,879	37,929
Supporting Effective Instruction State Grants			18,392	78,930	133,055	113,518	37,929
Student Support & Academic Enrichment							
190750 1819 Student Support & Academic Enrichment	84.424	20,753	2,548	18,080	-	2,548	-
200750 1920 Student Support & Academic Enrichment		21,356	-	-	20,079	17,504	2,575
Student Support & Academic Enrichment Grants			2,548	18,080	20,079	20,052	2,575
Total U.S. Department of Education			345,231	1,094,792	1,439,359	1,251,261	533,329
U.S. Department of Health and Human Services							
Passed through Oakland County Intermediate School District							
Medical Assistance Program							
2019 Administrative Outreach Program	93.778	8,634	-	-	8,634	8,634	-
Total Federal Financial Awards			\$ 488,483	\$ 1,796,628	\$ 2,536,695	\$ 2,415,326	\$ 609,852

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, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Avondale School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Avondale School District, it is not intended to and does not present the financial position, changes in financial positions of Avondale School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Avondale School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards except for the following items:

Federal revenues per the financial statements	\$ 3,031,295
Federal reimbursed interest	(533,713)
Grant funds not received within 60 days	320,666
Prior year grant funds not received within 60 days received in the current year	<u>(281,553)</u>
Federal revenues per schedule of federal awards	<u><u>\$ 2,536,695</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Avondale School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards, except for the following timing differences of when the deposit was made:

	Federal CFDA Number	Reported on Grant Auditor Report	Reported on Schedule of Expenditures of Federal Awards	Variance
191970 School Breakfast Program	10.553	\$ 24,161	\$ 47,442	\$ (23,281)
191960 National School Lunch Program	10.555	100,127	179,292	(79,165)
191980 National School Lunch Program - Snacks	10.555	258	840	(582)
191530 1819 Title I Grants to Local Educational Agencies	84.010	83,561	124,595	(41,034)
190580 1819 English Language Acquisition State Grants	84.365	20,524	27,688	(7,164)
190520 1819 Supportive Effective Instruction State Grants	84.367	17,794	24,639	(6,845)

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.

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: 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 §200.516(a)? _____ 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	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2020

Section II - Government Auditing Standards Findings

There were no *Governmental Auditing Standards* findings for the year ended June 30, 2020.

Section III - Federal Award Findings

There were no *Federal Award* findings for the year ended June 30, 2020.

Avondale School District
Summary Schedule of Prior Audit Findings
June 30, 2020

Section IV - Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

Federal Award Findings

2019-001, 2018-001 – Material Weakness and Material Noncompliance – Program Income

Program Information:	Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555, and 10.559.
Criteria:	The School District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its non-profit school food service per requirements in 7 CFR 210.14 (b).
Condition:	The ending funding balance for the District's food service program exceeded the average three months of expenditures by approximately \$89,230.
Questioned Costs:	None
Cause and Effect:	The School District added approximately \$64,000 to its fund balance in its nutrition services program during fiscal year 2019. This mostly resulted from an increase in federal food service revenue and a decrease in food costs.
Recommendation:	We recommend that the School District reviews its net cash resources throughout the year to verify they are not in excess of three months of expenditures. The School District should develop a plan to ensure they spend the excess balance during the 2019-20 school year.
Status:	Recommendation has been implemented.



October 26, 2020

Management and the Board of Education
Avondale School District
2490 Waukegan Street
Auburn Hills, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Avondale School District as of and for the year ended June 30, 2020, and have issued our report dated October 26, 2020. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The Organization has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Management's estimate of the retirement severance liability, which is based on language contained within union contracts and five year historical average of actual payouts. We noted no bias in the calculation of the estimate.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

The financial statement disclosures are neutral, consistent, and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

FER Extended Time Notification

The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at OFSFinancial-Unit@michigan.gov. Extension time is available if needed, but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that will be posted on the Michigan School Data website no later than June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

Financial Accounting Guidance During the COVID-19 Pandemic

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link:

https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf

FID Changes for 2020 and Beyond

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be

generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

ESSER and CARES Act Accounting

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) fund in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at https://www.michigan.gov/documents/mde/ESSER_guidance_688430_7.pdf

Summer Food Service Program

The school year ended with many LEAs experiencing changes to their food service distribution programs. With those changes in mind, we would like to encourage districts to make sure they have all the documentation in place to have successful administrative reviews. All new SFSP sponsors will be subject to a review. The focus of the administrative reviews will be on menus, production records, daily meal count sheets, and monthly claims. Keep in mind that the Unanticipated School Closure Summer Food Service Program meals ended June 30, 2020. Subsequent to this date, claims will be related to the Summer Food Service Program.

Special Education Compliance Information

The excess cost requirement testing is being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2018-19 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went live on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations.

Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFERs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no such disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Avondale School District as of and for the year ended June 30, 2020, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our audit 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated October 26, 2020, on the financial statements of Avondale School District. Our comments and recommendations regarding those matters are:

Audit Adjustments Required

During our audit there were journal entries made to correct bond refunding activity. The adjustments were brought to the attention of management and they ultimately calculated and posted the adjustments. These adjustments were made to reflect the current financial position of the School District. Although the net effect of the entries was not material, accurate financial reporting have should included all refunding activity to be properly accounted for.

We recommend that management reviews bond refunding activity to ensure that the books and records accurately reflect these transactions.