

**Redford Union School District #1  
Redford, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**June 30, 2013**

Redford Union School District #1

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education  
Redford Union School District #1  
Redford, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Redford Union School District #1'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 Redford Union School District #1's major federal programs for the year ended June 30, 2013. Redford Union School District #1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Redford Union School District #1'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 Nonprofit 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about Redford Union School District #1'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 Redford Union School District #1's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Redford Union School District #1 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 Redford Union School District #1 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, we considered Redford Union School District #1'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 our opinion on for each major 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 Redford Union School District #1'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.

## 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 Redford Union School District #1 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 30, 2013, 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 the 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 30, 2013

Redford Union School District #1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through the Michigan Department of Education			
School Breakfast Program	10.553	(f)	
2012-13 - cash assistance		131970	\$ 227,379
2011-12 - cash assistance		121970	<u>286,115</u>
			513,494
National School Lunch Program	10.555	(f)	
2012-13 Noncash assistance - entitlement commodities (a)		82110	75,519
2012-13 - cash assistance		131960	597,730
2011-12 - cash assistance		121960	<u>717,246</u>
			1,390,495
Child and Adult Care Food Program	10.558		
2012-13		131920	<u>934</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>1,904,923</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through the Michigan Department of Education			
Title I, Part A	84.010	(e)	
2012-13		1315301213	2,096,279
2010-11		1115301011	986,284
2011-12		1215301112	<u>1,612,883</u>
			4,695,446
Title II, Part A	84.367		
2012-13		1305201213	185,296
2011-12		1205201112	<u>241,472</u>
			426,768

<u>(Memo Only)</u> <u>Prior Years'</u> <u>Expenditures</u>	<u>Balance</u> <u>July 1, 2012</u> <u>Accrued or</u> <u>(Unearned)</u> <u>Revenue</u>	<u>Cash</u> <u>Receipts</u> <u>In-Kind</u> <u>Payments</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2013</u> <u>Accrued or</u> <u>(Unearned)</u> <u>Revenue</u>
\$ -	\$ -	\$ 227,379	\$ 227,379	\$ -0-
263,149	-	22,966	22,966	-0-
263,149	-0-	250,345	250,345	-0-
-	-	75,519	75,519 <sup>(c)</sup>	-0-
-	-	597,730	597,730	-0-
652,416	-	64,830	64,830	-0-
652,416	-0-	738,079	738,079	-0-
-	-	934	934	-0-
915,565	-0-	989,358	989,358	-0-
-	-	777,610	885,418	107,808
886,833	-	(330)	(330)	-0-
887,660	-	(550)	(550)	-0-
1,774,493	-0-	776,730	884,538	107,808
-	-	120,442	124,613	4,171
164,565	(14,148)	22,386	36,534	-0-
164,565	(14,148)	142,828	161,147	4,171

Redford Union School District #1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount
U.S. DEPARTMENT OF EDUCATION - continued			
Passed Through the Michigan Department of Education and Wayne County RESA			
IDEA - Flowthrough	84.027	(e)(g)	
2012-13 Regular			\$ 991,308
2011-12 Regular			1,009,620
2012-13 CPE			455,600
2011-12 CPE			<u>519,820</u>
			2,976,348
Vocational Education - CTE Perkins	84.048A		34,931
IDEA - Preschool Incentive	84.173	(e)(g)	
2012-13			48,203
2011-12			<u>52,073</u>
			100,276
ARRA - IDEA Flowthrough	84.391A	(e)(g)	<u>9,144</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			8,242,913
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the Michigan Department of Community Health and Wayne County RESA			
Medicaid Outreach	93.778		<u>31,660</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 10,179,496</u></u>

<u>(Memo Only)</u> <u>Prior Years'</u> <u>Expenditures</u>	<u>Balance</u> <u>July 1, 2012</u> <u>Accrued or</u> <u>(Unearned)</u> <u>Revenue</u>	<u>Cash</u> <u>Receipts</u> <u>In-Kind</u> <u>Payments</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30, 2013</u> <u>Accrued or</u> <u>(Unearned)</u> <u>Revenue</u>
\$ -	\$ -	\$ 969,914	\$ 991,308	\$ 21,394
834,499	139,801	314,922	175,121	-0-
-	-	276,817	455,600	178,783
<u>519,820</u>	<u>16,451</u>	<u>16,451</u>	<u>-</u>	<u>-0-</u>
1,354,319	156,252	1,578,104	1,622,029	200,177
34,931	22,814	22,814	-	-0-
-	-	37,774	48,203	10,429
<u>52,073</u>	<u>6,676</u>	<u>6,676</u>	<u>-</u>	<u>-0-</u>
52,073	6,676	44,450	48,203	10,429
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,144</u>	<u>9,144</u>
3,380,381	171,594	2,564,926	2,725,061	331,729
<u>-</u>	<u>-</u>	<u>31,660</u>	<u>31,660</u>	<u>-0-</u>
<u>\$ 4,295,946</u>	<u>\$ 171,594</u>	<u>\$ 3,585,944</u>	<u>\$ 3,746,079</u>	<u>\$ 331,729</u>
		(d)	(b)	



Redford Union School District #1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Redford Union School District #1 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the School's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely, and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the "paid during date range" amounts on the Grant Auditor Report.
- (e) Denotes program tested as "major program".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Denotes programs required to be clustered by the United States Department of Education.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the federal revenues reported in the June 30, 2013 basic financial statements to the expenditures of the District administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal revenue per financial statements:	\$ 4,065,393
Less: Build America Bond revenue	<u>(319,314)</u>
Total expenditures on Schedule of Expenditures of Federal Awards	<u><u>\$ 3,746,079</u></u>

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INDEPENDENT AUDITOR'S 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  
Redford Union School District #1  
Redford, Michigan

We have audited, in accordance with the auditing standards general in the United States of America and the standards applicable to financial audits contained in *Governmental 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 Redford Union School District #1 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Redford Union School District #1's basic financial statements and have issued our report thereon dated October 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Redford Union School District #1'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redford Union School District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of 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, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of control 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. We consider the deficiency described ad 2013-1 in the accompanying schedule of findings to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-2, 2013-3, and 2013-4.

## The District's Response to Findings

Redford Union School District #1's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 30, 2013

Redford Union School District #1

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes   No

Significant deficiencies identified that are not considered to be material weakness(es)?   Yes  X  None reported

Noncompliance material to financial statements noted?  X  Yes   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?   Yes  X  No

Significant deficiencies identified that are not considered to be material weakness(es)?   Yes  X  None reported

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

Any audit findings disclosed that are required to be reported by Section 510(a) of Circular A-133?   Yes  X  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 84.027, 84.173, 84.391A	Title I, Part A Special Education Cluster

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

Auditee qualified as low-risk auditee?   Yes  X  No

**Section II - Financial Statement Findings**

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2013-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the adjustment of beginning fund balance and unearned revenue were proposed by the auditors.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Redford Union School District #1  
SCHEDULE OF FINDINGS - CONTINUED  
Year Ended June 30, 2013

**Section II - Financial Statement Findings - Continued**

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2013-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Cause: The District's internal controls over financial reporting failed to identify these misstatements.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the District's internal controls.

Recommendation: We recommend that the District take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Management of the District is currently reviewing procedures related to identification and correction of potential errors in the financial statements.

2013-2 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in certain areas within the General Fund, Special Education Center Program Fund, and Food Service Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The District did not sufficiently amend the budget when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District continue to monitor budgeted expenditures against actual expenditures to alleviate future unfavorable budget variances and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is currently reviewing procedures related to budgetary compliance in accordance with State law.

2013-3 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND

Condition: During our review of the District's compliance with federal guidelines related to allowable levels of fund balance in the nonprofit Food Service Fund, we noted that the ending fund balance of \$542,263 amounted to approximately 49 percent of the District's expenditures and other financing uses. This fund balance exceeds the maximum allowed under Federal regulations.

Criteria: Federal regulations (7 CFR 210.19(a)(2)) state that net cash resources in the nonprofit Food Service Fund should not exceed three months' average expenditures, calculated on a nine-month school year.

Cause: Unknown.

Redford Union School District #1  
SCHEDULE OF FINDINGS - CONTINUED  
Year Ended June 30, 2013

**Section II - Financial Statement Findings - Continued**

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2013-2 EXCESS FUND BALANCE - NONPROFIT FOOD SERVICE FUND - CONTINUED

Effect: The District is not in compliance with applicable Federal regulations.

Recommendation: We recommend the District monitor revenues and expenditures within the nonprofit Food Service Fund to ensure that fund balance does not exceed the amount allowed in federal regulations.

Corrective Action Response: The District has identified a spending plan that will utilize the excess money in the food service fund. We will begin to spend down on December 2013.

2013-4 FUND DEFICIT

Condition: As indicated in Note Q of the notes to the financial statements, the General Fund ended the year with a fund deficit. A similar issue existed in the prior year.

Criteria: Michigan Public Act 275 of 1980 provides that the District shall not end its fiscal year with a deficit condition which is a situation where, at the end of the fiscal year, total expenditures, including an accrued deficit, exceeded total revenues for that fiscal year, including any surplus carried forward.

Cause: Reduced Federal and State funding levels placed the District in a position where deficit spending was necessary to preserve educational programs.

Effect: The District is not in compliance with Public Act 275 of 1980. An updated deficit elimination plan will need to be filed with the Michigan Department of Education.

Recommendation: We recommend the District utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

Corrective Action Response: District has filed and received approval of a deficit elimination plan from the State of Michigan. The fund deficit was reduced considerably in the 2012/13 fiscal year.

**Section III - Federal Award Findings and Questioned Costs**

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None noted.

Redford Union School District #1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2013

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

2012-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries were proposed by the prior auditors. These misstatements were not detected by the District's internal control over financial reporting.

Resolution: A similar issue was noted during the current audit and reported in the schedule of findings as finding 2013-1. We do not consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings noted.