BIG SPRING SCHOOL DISTRICT

SUPPLEMENTARY AUDIT REPORT
ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2019

Draft

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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*

Board of School Directors
Big Spring School District
Newville, Pennsylvania

Draft

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, the business-type activities, each major fund, and the fiduciary funds of the Big Spring School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Big Spring School District's basic financial statements, and have issued our report thereon dated _____, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Spring 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Spring School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Big Spring 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 the Big Spring 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.

Draft

GREENAWALT & COMPANY, P.C.

_____, 2019

Mechanicsburg, Pennsylvania

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Board of School Directors
Big Spring School District
Mechanicsburg, Pennsylvania

Report on Compliance For Each Major Federal Program

We have audited the Big Spring 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 the Big Spring School District's major federal programs for the year ended June 30, 2019. Big Spring 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 statues, 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 the Big Spring 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 the Big Spring 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 the Big Spring School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Big Spring 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, 2019.

Report on Internal Control Over Compliance

Management of the Big Spring 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 the Big Spring 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 the Big Spring 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 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.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary funds of the Big Spring School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Big Spring School District's basic financial statements. We issued our report thereon dated _____, 2019, 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 and state 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 and state awards is fairly stated in all material respects in relation to the basic 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Draft

GREENAWALT & COMPANY, P.C.

_____, 2019

Mechanicsburg, Pennsylvania

BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor Program Title	Source Code	Federal CFDA #	Pass Through Grantor's #	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For Year	Accrued (Unearned) Revenue 7/1/2018	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2019	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed through PA Department of Education											
Child Nutrition Cluster											
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/1/18-6/30/19	N/A	$ 95,604	$ -	$ 97,764	$ 97,764	$ 2,160	$ -
School Breakfast Program - Cash Assistance	I(F)	10.553	N/A	7/1/17-6/30/18	N/A	11,240	11,240	-	-	-	-
Total School Breakfast Program						106,844	11,240	97,764	97,764	2,160	-
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/18-6/30/19	N/A	419,252	-	425,796	425,796	6,544	-
National School Lunch Program - Cash Assistance	I(F)	10.555	N/A	7/1/17-6/30/18	N/A	49,319	49,319	-	-	-	-
Passed through PA Department of Agriculture											
National School Lunch Program - Non-Cash Assistance	I(F)	10.555	N/A	7/1/18-6/30/19	N/A	74,575	-	74,575	74,575	-	-
Total National School Lunch Program						543,146	49,319	500,371	500,371	6,544	-
Total Child Nutrition Cluster						649,990	60,559	598,135	598,135	8,704	-
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/18-6/30/19	N/A	25,395	-	25,788	25,788	393	-
National School Lunch Program - Cash Assistance	I(S)	N/A	N/A	7/1/17-6/30/18	N/A	2,935	2,935	-	-	-	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/18-6/30/19	N/A	5,453	-	5,576	5,576	123	-
School Breakfast Program - Cash Assistance	I(S)	N/A	N/A	7/1/17-6/30/18	N/A	637	637	-	-	-	-
Total U.S. Department of Agriculture						$ 684,410	$ 64,131	$ 629,499	$ 629,499	$ 9,220	$ -
U.S. Department of Education											
Passed through PA Department of Education											
Title I - Grants to Local Educational Agencies	I(F)	84.010(M)	013-190037	7/2/18-9/30/19	$ 477,110	$ 412,745	$ -	$ 477,110	$ 477,110	$ 64,365	$ -
Title I - Grants to Local Educational Agencies	I(F)	84.010(M)	013-180037	7/18/17-9/30/18	496,724	56,871	56,871	-	-	-	
Title I - Grants to Local Educational Agencies	I(F)	84.010(M)	013-170037	7/6/16-9/30/17	423,460	97,621	97,621	-	-	-	-
Total Title I, Grants to Local Educational Agencies						567,237	154,492	477,110	477,110	64,365	-
Title II - Improving Teacher Quality - State Grants	I(F)	84.367	020-190037	7/2/18-9/30/19	100,528	100,528	-	100,528	100,528	-	-
Total Title II - Improving Teacher Quality - State Grants						100,528	-	100,528	100,528	-	-
Title IV-Student Support and Academic Enrichment	I(F)	84.424	144-190037	7/2/18-9/30/19	30,778	22,571	-	30,778	30,778	8,207	
Title IV-Student Support and Academic Enrichment	I(F)	84.424	144-180037	7/18/17-9/30/18	10,633	2,127	2,127	-	-	-	-
Total Title IV - Student Support and Academic Enrichment						24,698	2,127	30,778	30,778	8,207	-
Total Passed through PA Department of Education						692,463	156,619	608,416	608,416	72,572	-
Passed through Capital Area Intermediate Unit											
Special Education Cluster (IDEA)											
Special Education - Grants to States (IDEA, Part B)	I(F)	84.027A	062-190015	7/1/18-6/30/19	572,756	572,756	-	572,756	572,756	-	-
Special Education - Preschool Grants (IDEA Preschool)	I(F)	84.173	131-180015	7/1/18-6/30/19	3,120	3,120	-	3,120	3,120	-	
Special Education - Preschool Grants (IDEA Preschool)	I(F)	84.173	131-170015	7/1/17-6/30/18	1,932	1,932	1,932	-	-	-	-
Total Special Education Cluster (IDEA)						577,808	1,932	575,876	575,876	-	-
Total U.S. Department of Education						$ 1,270,271	$ 158,551	$ 1,184,292	$ 1,184,292	$ 72,572	$ -
Total Federal and State Awards						$ 1,954,681	$ 222,682	$ 1,813,791	$ 1,813,791	$ 81,792	$ -
Less: State Awards						$ (34,420)	$ (3,572)	$ (31,364)	$ (31,364)	$ (516)	$ -
Total Federal Awards						$ 1,920,261	$ 219,110	$ 1,782,427	$ 1,782,427	$ 81,276	$ -

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Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Big Spring School District under programs of the federal government for the year ended June 30, 2019. 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 Big Spring School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Big Spring School District.

Note B - Summary of significant accounting policies

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

Note C - De minimus rate for indirect costs

The District did not elect to use the de minimus rate for indirect costs.

Note D - Food commodities

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

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BIG SPRING SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Cont'd.)

YEAR ENDED JUNE 30, 2019

Calculation of 20% Rule

Total federal expenditures per schedule		$ 1,782,427
Major program		
Grant Program Title	Federal CFDA#	Total Expenditures
U.S. Department of Education		
Passed through Pennsylvania Department of Education		
Title I - Grants to Local Educational Agencies	84.010	$ 477,110
Total (26.77% of total federal expenditures)		$ 477,110

Source codes:

I - Indirect funding
F - Federal share
S - State share

Legends:

(M) Major program

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BIG SPRING SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

A. Summary of auditor's results

1. The opinion expressed in the independent auditor's report was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent auditor's report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

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A. Summary of auditor's results (Cont'd.)

7. The District's major program are:

Grant Program Title	Federal CFDA#
U.S. Department of Education	
Passed through Pennsylvania Department of Education	
Title I - Grants to Local Educational Agencies	84.010

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was $ 750,000.

9. The District qualified as a low-risk auditee as that term is defined in the Uniform Guidance? ☒Yes ☐No

B. Findings - financial statement audit

None

C. Findings and questioned costs - major federal award program audits

None

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BIG SPRING SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

Major Federal Award Program Audit

#2018-001 Internal control - Significant deficiency - reporting

Title I - Grants to Local Education Agencies, CFDA #013-170037

Condition

The District did not timely file the final report for the grant #013-170037.

School District's Corrective Action Plan

After consulting with the team, we agree that all final expenditure reports will be prepared by the Controller, in coordination with the Title I Coordinator, and reviewed by the Business Manager. These federal expenditure reports were added to the audit checklist as well as the District's suspense calendar.

Status

In the review of the final report filed for 2018-19, no issues were noted. This finding is deemed resolved.

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