

Hancock County School District

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*

Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2019

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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
Hancock County School District
Hawesville, Kentucky

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 audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts’ Audit Contract and Requirements-Auditor Responsibilities*, and the *State Compliance Requirements to Appendix I to Kentucky Public School Districts’ Audit Contract and Requirements- Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hancock County 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 Hancock County School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock County 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 Hancock County 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Kentucky Public School Districts' Audit Contract and Requirements-State Compliance Requirements*.

In addition, we noted other matters involving the internal control and its operations that were reported to management of the District in a separate letter dated November 14, 2019.

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.

Alexander Thompson Arnold PLLC

Owensboro, Kentucky
November 14, 2019



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required; and Report on Schedules of Expenditures of Federal Awards by the Uniform Guidance

To the Hancock County Board of Education
Hancock County School District
Hawesville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Hancock County 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 Hancock County School District's major federal programs for the year ended June 30, 2019. The Hancock County 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 the Hancock County 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 Hancock County 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 Hancock County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hancock County School District's 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 Hancock County 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 Hancock County 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 Hancock County 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.

Report on the Schedule of Expenditures of Federal 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 aggregate remaining fund information of the Hancock County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hancock County School District's basic financial statements. We issued our report thereon dated November 14, 2019, which contained unmodified opinions on these 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 Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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. This 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 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 taken as a whole.

Purpose of this Report

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.

Alexander Thompson Arnold PLLC

Owensboro, Kentucky
November 14, 2019

**Hancock County School District's
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>United States Departement of Agriculture:</u>			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Child Nutrion Cluster:			
School Breakfast Program	10.553	7760005-18	\$ 225,581
National School Lunch Program	10.555	7750002-18	437,150
Summer Food Service Program	10.559	7690024-18	8,484
Non-cash financial assistance:			
Commodities	10.555		21,105
Total Child Nutrition Cluster			<u>692,320</u>
Child and Adult Care Food Program	10.558	7790021-18	47,601
Child and Adult Care Food Program	10.558	7800016-18	3,180
Total Child and Adult Care Food Program			<u>50,781</u>
Total United States Department of Agriculture			<u>743,101</u>
<u>United States Department of Education:</u>			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	3100002-18	230,976
Title VI Part B Special Education Grants to States	84.027	3810002-18	191,273
Title VI Part B Special Education Preschool Grants	84.173	3800002-18	15,136
Career and Technical Education Basic Grants	84.048	3710002-18	7,066
Supporting Effective Instruction State Grants	84.367	3230002-18	36,393
Total United States Department of Education			<u>480,844</u>
Total Federal Awards Expended			<u>\$ 1,223,945</u>

**Hancock County School District's
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Child Nutrition Cluster			
Cash Assistance			
School Breakfast Program	10.553	7790021-18	\$ 225,581
National School Lunch Program	10.555	7750002-18	437,150
Summer Food Service Program for Children	10.559	7690024-18	8,484
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555		21,105
Total Child Nutrition Cluster			\$ 692,320
Special Education Cluster			
Title VI Part B Special Education Grants to States	84.027	3810002-18	\$ 191,273
Title VI Part B Special Education Preschool Grants	84.173	3800002-18	15,136
Total Special Education Cluster			\$ 206,409

**Hancock County School District's
Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2019**

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hancock County School District's under programs of the federal government for the year ended June 30, 2019. This information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hancock County School District's, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Hancock County School District's.

Note B - Summary of Significant Accounting Policies

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

Note C - Indirect Cost Rate

The Hancock County School District's has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Hancock County School District's
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2019**

I. Schedule of Findings and Questioned Cost

	<u>Results</u>
<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major federal programs?	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
10.553, 10.555, 10.559 Childhood Nutrition Cluster	\$ 692,320
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Hancock County School District's
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2019**

II. Findings - Financial Statement Audit:

None: There are no findings resulting from the financial statement audit of the Hancock County School District's for the fiscal year ended June 30, 2019.

III. Findings and Questioned Costs - Major Federal Program Audit:

None: There are no findings or questioned costs related to major federal programs of the Hancock County School District's for the fiscal year ended June 30, 2019.

IV. Status of Prior Audit Findings:

2018-1 Failure to Prepare Timely Bank Reconciliations

Condition:

Timely bank reconciliations were not performed on the school food service account.

Criteria:

The School Food Service Fund did not reconcile cash to the bank statements during the year end close.

Cause:

The School Food Service Department was not in compliance with the District and Kentucky Department of Education policy.

Effect:

An audit adjustment to increase cash and increase federal revenue for \$70,713 was made to correct the financial statements as of June 30, 2018.

Recommendation:

We recommend the District perform bank reconciliations as part of the monthly closing procedures on School Food Service. We additionally recommend an individual with the District is appointed to review the bank reconciliation on a monthly basis to ensure it is performed.

**Hancock County School District's
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2019**

2018-1, Continued:

Board Response:

The Superintendent and the Director of Finance met with the Food Service Coordinator and discussed the importance of timely monthly bank reconciliations and how to balance to the monthly balance sheet. The Food Service Coordinator will continue to do the monthly bank reconciliations and will turn them in to the Director of Finance by the 15th of each month. The Director of Finance will receive the monthly bank reconciliations, a copy of the bank statement, and the reconciliation of deposits for the month to ensure and verify that the reconciliation is correct each month. The Director of Finance has noted in the monthly financial checklist to true up Food Service deposits in the month of June.

Status:

The condition no longer exists as of June 30, 2019.

**Hancock County School District's
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2019**

2018-2 Failure to Properly Record Revenue Received

Condition:

The District did not record federal revenue that it received for the May reimbursement for the Child Nutrition Fund.

Criteria:

The School Food Service Department did not have proper cash management controls.

Cause:

The School Food Service Department was not in compliance with District and Kentucky Department of Education policy.

Effect:

An audit adjustment to record federal revenue for \$70,713 was made to correct the balance as of June 30, 2018.

Recommendation:

We recommend the District perform bank reconciliations as part of the monthly closing procedures on School Food Service. We additionally recommend that an individual with the District is appointed to review the reconciliation on a monthly basis to ensure it is performed.

Board Response:

The Superintendent and the Director of Finance met with the Food Service Coordinator and discussed the importance of timely monthly bank reconciliations and how to balance to the monthly balance sheet. The Food Service Coordinator will continue to do the monthly bank reconciliations and will turn them in to the Director of Finance by the 15th of each month. The Director of Finance will receive the monthly bank reconciliations, a copy of the bank statement, and the reconciliation of deposits for the month to ensure and verify that the reconciliation is correct each month. The Director of Finance has noted in the monthly financial checklist to true up Food Service deposits in the month of June.

Status:

The condition no longer exists as of June 30, 2019.