

Phoenixville Area School District

Supplementary Reports -
Single Audit

June 30, 2019

R*ainer*
& Company

A Professional Corporation
Certified Public Accountants

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LIST OF REPORT DISTRIBUTION

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303 Walnut Street
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6th Floor
Harrisburg, PA 17101

Federal Audit Clearing House
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A Professional Corporation
Certified Public Accountants

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

Board of School Directors
Phoenixville Area School District
Phoenixville, Pennsylvania

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Phoenixville Area School District's basic financial statements, and have issued our report thereon dated February 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Phoenixville Area 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 Phoenixville Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Phoenixville Area 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 District'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 Phoenixville Area 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Rainer & Company

Newtown Square, PA
February 20, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of School Directors
Phoenixville Area School District
Phoenixville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Phoenixville Area 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 Phoenixville Area School District's major federal programs for the year ended June 30, 2019. Phoenixville Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Phoenixville Area 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 Phoenixville Area 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 Phoenixville Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Phoenixville Area 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 Phoenixville Area 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 Phoenixville Area 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 Phoenixville Area 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 a 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Phoenixville Area School District's basic financial statements. We issued our report thereon dated February 20, 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.


Rainer & Company

Newtown Square, PA
February 20, 2020

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

I. **SUMMARY OF AUDITORS' RESULTS**

Financial Statements

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?

___yes X no

Significant deficiency(ies) identified?

___yes X none reported

Noncompliance material to financial statements noted?

___yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___yes X no

Significant deficiency(ies) identified?

___yes X none reported

Type of auditors' report issued on compliance
 for major federal programs:

Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with 2 CFR 200.516 (a)?

___yes X no

Identification of Major Federal Programs:

CFDA NUMBERS

NAME OF FEDERAL PROGRAM OR CLUSTER

Child Nutrition Cluster:

84.027

Special Education - Grants to States (IDEA, Part B)

Dollar threshold used to distinguish between Type A
 and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___no

II. **FINANCIAL STATEMENT FINDINGS**

No matters were reported

III. **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

FEDERAL GRANTOR/PROJECT TITLE	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program Award Amount	Total Received For The Year	Accrued or (Unearned) at July 1, 2018	Revenue Recognized	Expenditures	Accrued or (Unearned) at June 30, 2019
<u>U.S. Department of Education:</u>										
Passed through the Pennsylvania Department of Education										
Title I Grants to Local Educational Agencies	I	84.010	013-19-0337	7/1/18-9/30/19	\$ 348,531	\$ 207,325	\$ 0	\$ 348,531	\$ 348,531	\$ 141,206
Title I Grants to Local Educational Agencies	I	84.010	013-18-0337	7/1/17-9/30/18	320,937	91,213	91,213	0	0	0
Supporting Effective Instruction State Grant	I	84.367	020-19-0337	7/1/18-9/30/19	88,562	46,917	0	88,562	88,562	41,645
Supporting Effective Instruction State Grant	I	84.367	020-18-0337	7/1/17-9/30/18	85,633	24,301	24,301	0	0	0
English Language Acquisition State Grants	I	84.365	010-19-0337	7/1/18-9/30/19	58,379	27,244	0	58,379	58,379	31,135
English Language Acquisition State Grants	I	84.365	010-18-0337	7/1/17-9/30/18	47,523	13,578	13,578	0	0	0
Student Support and Academic Enrichment Program	I	84.424	144-19-0337	7/1/18-9/30/19	23,366	14,020	0	23,366	23,366	9,346
Student Support and Academic Enrichment Program	I	84.424	144-18-0337	7/1/17-9/30/18	10,000	2,857	2,857	0	0	0
Passed through Chester County Intermediate Unit:										
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/18-6/30/19	527,904	316,742	0	527,904	527,904	211,162
Special Education - Grants to States (IDEA, Part B)	I	84.027	N/A	7/1/15-6/30/18	531,757	177,252	177,252	0	0	0
Special Education - Preschool Grants (IDEA Presch	I	84.173	N/A	7/1/18-6/30/19	2,400	2,400	0	2,400	2,400	0
Special Education - Preschool Grants (IDEA Presch	I	84.173	N/A	7/1/15-6/30/18	2,058	2,058	2,058	0	0	0
TOTAL U.S. DEPARTMENT OF EDUCATION						925,907	311,259	1,049,142	1,049,142	434,494
<u>U.S. Department of Health and Human Services:</u>										
Passed through the Pennsylvania Department of Welfare										
Medical Assistance Program - Reimbursement for Health-Related Transportation and Administration	I	93.778	N/A	7/1/18-6/30/19	-	17,626	0	17,626	17,626	0
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						17,626	0	17,626	17,626	0
<u>U.S. Department of Agriculture:</u>										
Passed through the Pennsylvania Department of Education:										
National School Lunch Program	I	10.555	N/A	7/1/18-6/30/19	N/A	F 507,043	71,563 (E)	511,995	511,995	76,515
National School Lunch Program	I	N/A	N/A	7/1/18-6/30/19	N/A	S 34,425	4,876 (E)	34,634	34,634	5,085
School Breakfast Program	I	10.553	N/A	7/1/18-6/30/19	N/A	F 83,537	11,964 (E)	86,978	86,978	15,405
School Breakfast Program	I	N/A	N/A	7/1/18-6/30/19	N/A	S 5,386	779 (E)	5,601	5,601	994
School Breakfast Initiative Program	I	N/A	N/A	7/1/18-6/30/19	N/A	S 4,383	0 (E)	4,383	4,383	0
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	7/1/18-6/30/19	N/A	(A) 103,414	(B) (33,534) (C)	111,622	111,622 (D)	(25,326)
TOTAL DEPARTMENT OF AGRICULTURE						738,188	55,648	755,213	755,213	72,673
TOTAL ASSISTANCE						\$ 1,681,721	\$ 366,907	\$ 1,821,981	\$ 1,821,981	\$ 507,167

Footnotes:

- (A) Total amount of commodities received from Department of Agriculture
- (B) Beginning Inventory at July 1, 2018
- (C) Total amount of commodities used
- (D) Ending Inventory at June 30, 2019
- (E) Adjusted beginning year accrued amount to reflect proper allocation between federal and state (net variance was zero)

Source Codes:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

FEDERAL EXPENDITURES:

Total Expenditures Per Above	\$ 1,821,981
Less: State Share of National School Lunch and Breakfast Programs	44,618
TOTAL FEDERAL EXPENDITURES	\$ 1,777,363

PROGRAMS:

Special Education - Grants to States (IDEA, Part B)	\$ 527,904
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The accompanying notes are an integral part of this schedule.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Phoenixville Area 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 of Expenditures of Federal Awards presents only a selected portion of the operations of Phoenixville Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Phoenixville Area School District.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the 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 on the Schedule of Expenditures of Federal Awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Nonmonetary Federal Awards - Donated Food

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards under CFDA # 10.555 (National School Lunch Program) represents federal surplus food consumed by Phoenixville Area School District during the year ended June 30, 2019. The District had food commodities totaling \$25,326 in inventory as of June 30, 2019.

Note D - Medical Assistance (MA) Program

The Medical Assistance (MA) program reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. There are two types of MA payments received by educational agencies: (1) School Based ACCESS Medicaid Reimbursement Program (SBAP) and (2) the Administrative Claiming Program (Reimbursement for Health-Related Transportation and Administration). SBAP is a MA program that reimburses health-related services including transportation. The SBAP reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal assistance. The amount of Medical Assistance funding recognized as fee-for-service for the year ended June 30, 2019 was \$392,594.

The second type of MA payment is the Administrative Claiming Program, which reimburses educational agencies for the costs associated with administrative Medicaid-related activities. These funds also include the partial reimbursement that schools receive on behalf of the service fees paid to Leader Services for the processing of their SBAP claims. Payments for SBAP Administrative Claiming are received from the Department of Public Welfare and are considered federal financial assistance which is required to be reported on the Schedule of Expenditures of Federal Awards. The amount of Medical Assistance reimbursement for administrative costs for the year ended June 30, 2019 was \$17,626.