

**SOMERSET AREA SCHOOL DISTRICT
SOMERSET COUNTY**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2017

SOMERSET AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT

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The Independent Auditor's Report on the Financial Statements and the Financial Statements are bound separately.

Zelenkofske Axelrod LLC

Members of the Board
Somerset Area School District
Central Administration
645 South Columbia Avenue
Somerset, Pennsylvania 15501

We have performed the Single Audit of SOMERSET AREA SCHOOL DISTRICT for the fiscal year ended June 30, 2017, and have enclosed the Single Audit report.

The single audit was performed to fulfill the requirements of Uniform Guidance. It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; 3. a review of the internal control over financial reporting and on compliance and other matters based solely on the understanding obtained as part of the audit of the financial statements performed in accordance with *Government Auditing Standards*; and 4. a review of compliance with requirements applicable to each major programs and internal control over compliance in accordance with Uniform Guidance and our opinion thereon.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

December 11, 2017
Greensburg, Pennsylvania

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SOMERSET AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

- o Somerset Area School District – Central Administration, 645 South Columbia Avenue, Somerset, PA 15501 – Fifteen copies of the Single Audit Report package.
- o Commonwealth of Pennsylvania, Office of the Budget: Bureau of Audits – filed electronically.
- o Federal Audit Clearinghouse: Bureau of the Census – filed electronically.

Zelenkofske Axelrod LLC

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

Members of the Board
Somerset Area School District
Central Administration
645 South Columbia Avenue
Somerset, Pennsylvania 15501

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 aggregate remaining fund information of SOMERSET AREA SCHOOL DISTRICT, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the SOMERSET AREA SCHOOL DISTRICT's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SOMERSET 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 the SOMERSET AREA SCHOOL DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of the SOMERSET 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 SOMERSET 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*.

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Members of the Board
Somerset Area School District
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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.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Greensburg, Pennsylvania
December 11, 2017

Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Members of the Board
Somerset Area School District
Central Administration
645 South Columbia Avenue
Somerset, Pennsylvania 15501

Report on Compliance for Each Major Federal Program

We have audited SOMERSET AREA SCHOOL DISTRICT's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of SOMERSET AREA SCHOOL DISTRICT's major federal programs for the year ended June 30, 2017. SOMERSET AREA 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SOMERSET 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 (CFR) 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 SOMERSET 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 SOMERSET AREA SCHOOL DISTRICT's compliance.

Opinion on Each Major Federal Program

In our opinion, SOMERSET 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, 2017.

Zelenkofske Axelrod LLC

Members of the Board
Somerset Area School District
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Report on Internal Control over Compliance

Management of SOMERSET 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 SOMERSET 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 SOMERSET 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 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.

Zelenkofske Axelrod LLC

Members of the Board
Somerset Area School District
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Report on Schedule of Expenditures of Federal Awards-Required Uniform Guidance

We have audited the financial statements of SOMERSET AREA SCHOOL DISTRICT as of and for the year ended June 30, 2017, and have issued our report thereon dated December 11, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Greensburg, Pennsylvania
December 11, 2017

SOMERSET AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 6/30/2016	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 6/30/2017
<u>U.S. Department of Education</u>										
Passed Through the Pennsylvania Department of Education:										
Title I - Part A *	I/F	84.010	013-150391	07/01/14-09/30/15	\$ 529,037	\$ -	\$ (3,820)	\$ 3,820	\$ 3,820	\$ -
Title I - Part A *	I/F	84.010	013-160391	07/01/15-09/30/16	484,246	32,197	(5,687)	33,548	33,548	(4,336)
Title I - Part A *	I/F	84.010	013-170391	07/01/16-09/30/17	610,114	529,462	-	576,728	576,728	47,266
Title II - Improving Teacher Quality	I/F	84.367	020-160391	07/01/15-09/30/16	139,241	46,342	14,277	32,065	32,065	-
Title II - Improving Teacher Quality	I/F	84.367	020-17-0391	07/01/15-09/30/17	137,999	101,360	-	138,404	138,404	37,044
Subtotal Passed Through the PA Department of Education					<u>1,900,637</u>	<u>709,361</u>	<u>4,770</u>	<u>784,565</u>	<u>784,565</u>	<u>79,974</u>
Passed Through the Appalachia Intermediate Unit 08:										
Special Education-Grants to States (IDEA, Part B) (sec)	I/F	84.027	N/A	07/01/15-09/30/16	226,427	226,427	226,427	-	-	-
Special Education-Grants to States (IDEA, Part B) (sec)	I/F	84.027	N/A	07/01/15-09/30/17	237,292	237,292	-	474,883	474,883	237,591
Special Education-Grants to States (IDEA Preschool) (sec)	I/F	84.173	N/A	07/01/15-09/30/16	5,390	5,390	5,390	-	-	-
Special Education-Grants to States (IDEA Preschool) (sec)	I/F	84.173	N/A	07/01/15-09/30/17	<u>5,367</u>	<u>-</u>	<u>-</u>	<u>5,367</u>	<u>5,367</u>	<u>5,367</u>
Subtotal Passed Through the Appalachia Intermediate Unit 08					<u>474,476</u>	<u>469,109</u>	<u>231,817</u>	<u>480,250</u>	<u>480,250</u>	<u>242,958</u>
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>2,375,113</u>	<u>1,178,470</u>	<u>236,587</u>	<u>1,264,815</u>	<u>1,264,815</u>	<u>322,932</u>
<u>U.S. Department of Agriculture</u>										
Passed Through PA Department of Education:										
National School Lunch(cnc)	I/F	10.555	362	07/01/16-06/30/17	-	477,870	57,474	477,153	477,153	56,757
National School Breakfast(cnc)	I/F	10.553	365	07/01/16-06/30/17	<u>-</u>	<u>115,497</u>	<u>14,886</u>	<u>116,790</u>	<u>116,790</u>	<u>16,179</u>
Subtotal Passed Through the PA Department of Education					<u>-</u>	<u>593,367</u>	<u>72,360</u>	<u>593,943</u>	<u>593,943</u>	<u>72,936</u>
Passed Through the PA Department of Agriculture:										
Value of USDA Commodities (cnc)	I/F	10.555	N/A	07/01/16-06/30/17	<u>N/A</u>	<u>91,126</u>	<u>(13,548)</u>	<u>99,062</u>	<u>99,062</u>	<u>(5,612)</u>
						(a)	(b)	(c)	(c)	(d,e)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>-</u>	<u>684,493</u>	<u>58,812</u>	<u>693,005</u>	<u>693,005</u>	<u>67,324</u>

SOMERSET AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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(CONTINUED)

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 6/30/2016	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 6/30/2017
<u>U.S. Department of Health and Human Services</u>										
Passed Through the PA Department of Human Services:										
Medical Assistance Reimbursement for Administration (med)	I/F	93.778	N/A	07/01/16-06/30/17	N/A	14,060	7,941	9,477	9,477	3,358
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					-	14,060	7,941	9,477	9,477	3,358
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ 2,375,113	\$ 1,877,023	\$ 303,340	\$ 1,967,297	\$ 1,967,297	\$ 393,614

Source Code:

Footnote Legend

I=Indirect

D=Direct

F=Federal

* Denotes major program

(a) USDA commodities received for the year

(b) USDA commodities inventory @ 6/30/16

(c) USDA commodities used

(d) USDA commodities inventory @ 6/30/17

(e) USDA commodity inventory valued at assigned values

(cnc) Child Nutrition Cluster

(sec) Special Education Cluster IDEA

(med) Medicaid Cluster

Calculation of 50 Percent Rule:

CFDA Number	Program Selected for Testing	Federal Expenditures
84.010	Title I - Part A	\$ 614,096
Total Programs Selected		<u>\$ 614,096</u>
Total Programs Selected	=	<u>614,096</u>
Total Federal Expenditures		<u>1,967,297</u>
		31.22%

SOMERSET AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 REPORTING ENTITY

SOMERSET AREA SCHOOL DISTRICT (the School District) is the reporting entity for financial reporting purposes as defined in Note 1 to the School District's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education. These practices, as they apply to the School District, are in conformity with U.S. generally accepted accounting principles

The Somerset Area School District did not elect to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2017 threshold for determining Type A and Type B Programs is \$750,000.

There were no high risk Type B programs audited as major.

The were no low-risk Type A Programs were audited as major:

The amount expended under programs audited as major federal programs for the year ended June 30, 2017, totaled \$694,096 or 31.22% of the total federal awards expended.

NOTE 4: NON-MONETARY ASSISTANCE

Non-monetary assistance was received from the U.S. Department of Agriculture of \$91,126 in the form of commodities. These commodities are valued at U.S.D.A's approximate costs. During the year ended June 30, 2017, the District used \$99,062 in commodities and established a year-end inventory of \$20,940. The amount recognized as revenue of \$99,062 represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.

SOMERSET AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I-Summary of Auditor's Results:

Financial Statements

Type of Auditor's Report issued: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?
_____yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal Controls over Major Programs:

Material Weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified not considered to be material weaknesses?
_____ 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 in accordance with Uniform Guidance? _____ yes x no

Identification of major programs

CFDA Number

Name of Federal Program or Cluster

84.010

Title I – Improving Basic Programs

Dollar Threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? x yes _____no

Section II – Financial Statement Findings: Relating to the Financial Statement Audit as required to be reported in Accordance with General Accepted Government Auditing Standards.

No matters were reported

Section III – Federal Awards Findings and Questioned Costs:

No matters were reported

SOMERSET AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Status of Prior Audit Findings:

None Reported