

HENDERSON COUNTY SCHOOL DISTRICT  
SINGLE AUDIT AND COMPLIANCE REPORTS  
For the fiscal year ended June 30, 2010

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Neel, Crafton  Phillips, LLP  
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HENDERSON COUNTY SCHOOL DISTRICT  
SINGLE AUDIT REPORTS- TABLE OF CONTENTS

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Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program And on Internal Control over Compliance in Accordance with OMB Circular A-133	1
Independent Auditors' Report on Internal Control over Financial Reporting, Compliance, and Other Matters Based on an Audit Of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	5
Schedule of Expenditure of Federal Awards	6
Notes to the Schedule of Expenditure of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Findings- Financial Statement Audit June 30, 2010	11
Findings and Questioned Costs-Major Federal Program Audit	12
Findings- Financial Statement Audit- Prior Year June 30, 2009	13

**Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Dr. Thomas Richey, Superintendent  
and Members of the Board of Education  
Henderson County School District  
Henderson, Kentucky

**Compliance:**

We have audited the Henderson County School District compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Henderson County School District major federal programs for the year ended June 30, 2010. The Henderson County School District's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Henderson County School District management. Our responsibility is to express an opinion on The Henderson County School District compliance based on our audit.

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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable, but not absolute 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 Henderson County School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Henderson County School District compliance with those requirements.

In our opinion, the Henderson County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance:

The management of the Henderson County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Henderson County School District internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Henderson County School District 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 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 control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected, or corrected, on a timely basis.

Our consideration of the 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 considered to be deficiencies, significant deficiencies, or material weaknesses, as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. .

The Henderson County School District management responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Henderson County School District response and, accordingly, do not express an opinion on it.

This report is intended solely for the information and use of, management, the Board of Commissioners, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nash, Craft & Phillips, LLP*

December 17, 2010

**Independent Auditors' Report on  
Internal Control Over Financial Reporting, Compliance  
And Other Matters Based on an Audit  
of Basic Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Dr. Thomas Richey, Superintendent  
and Members of the Board of Education  
Henderson County School District  
Henderson, Kentucky

**Accordance with Government Auditing Standards**

We have audited the financial statements of the Henderson County School District as of and for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Henderson County School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henderson County School District internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henderson County School District internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as a result of our audit procedures we did not note any items that constitute significant deficiencies.

*A deficiency in internal control over compliance* 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 misstatements on a timely basis. A material weakness in internal control is a deficiency, significant deficiency, or combination of control deficiencies, that adversely affects the Henderson County School District ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the Henderson County School District internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Henderson County School District 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Henderson County School District in a separate letter dated December 17, 2010.

The Henderson County School District management response to the prior year findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the response of management and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Neal, Craft & Phillips, LLP*

December 17, 2010



**Independent Auditors' Report on the  
Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the remaining aggregate fund information of the Henderson County School District for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. Our audit was performed for the purpose of forming an opinion on the primary government financial that collectively comprise the Henderson County School District primary government. 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 primary government financial statements of the Henderson County School District. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects, in relation to the primary government financial statements taken as a whole.

*Neel, Crafton & Phillips, LLP*

December 17, 2010

Henderson County School District  
Schedule of Expenditure of Federal Awards  
For the fiscal year ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Titles	Federal CFDA No.	Pass Through Identifying Numbers	Federal Expenditures
Passed Through Commonwealth of Kentucky Department of Education			
<u>U.S. Department of Agriculture</u> Food Donation and Child Nutrition Cluster	10.550-10.555	N/A	\$ 2,378,715
<u>United States Department of Defense</u> R.O.T.C	12.000	N/A	\$ 77,113
<u>United States Department of Education:</u> Title I-ARRA			\$
2008-09 TITLE I - ARRA PD	84.389A	N/A	795,496
2008-09 TITLE I ARRA PARENT INVOLVEMENT	84.387A	N/A	97,306
2008-09 HOMELESS ARRA GRANT	84.386A	N/A	2,554
2008-09 IDEA B PRESCHOOL ARRA	84.387A	(PL) 111-5-ARRA	17,860
2008-09 HOLY NAME IDEA-B PRES ARRA	84.392A	4239-LEA/4249C-CEIS	42,833
2009-10 EETT - ARRA	84.392A	N/A	6,868
2009-10 ED TECH COMPETITIVE ARRA	84.386A	N/A	16,336
2009-10 TITLE I PD	81.318X	E99169	145,056
2009-10 TITLE I PD	84.010A	N/A	1,437,026
2009-10 TITLE I PARENT INVOLVEMENT	84.010A	N/A	120,979
2008-09 TITLE I	84.010A	N/A	12,564
2008-09 TITLE I PARENT INVOLVEMENT	84.010A	N/A	224,198
2008-09 TITLE I PD	84.010A	N/A	31,819
2008-09 TITLE I PARENT INVOLVEMENT	84.010A	N/A	3,884
Title I, Part A Section 1003(a)	84.011A	N/A	1,160
2007-08 TITLE I PART A SCHOOL IMPROVEMENT	84.011A	N/A	20,262
Title I, Part A Section 1003(a)	84.010A	N/A	1,219
2008-09 TITLE I PART A SCHOOL IMPROVEMENT	84.010A	N/A	176,476
HOMELESS ASSISTANCE GRANT	84.196A	PON2-540-1000000221	68,809



Henderson County School District  
Schedule of Expenditure of Federal Awards  
For the fiscal year ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Titles	Federal CFDA No.	Pass Through Identifying Numbers	Federal Expenditures
HOMELESS ASSISTANCE GRANT	84.196A	N/A	2,289
2009-10 MIGRANT PROGRAM	84.011A	N/A	92,011
2007-08 MIGRANT GRANT	84.011A	N/A	2
2008-09 MIGRANT PROGRAM	84.011A	N/A	29,058
2009-10 KILTN	84.367A	N/A	9,895
2009-10 SAFE SCHOOLS GRANT	84.184	N/A	16,429
2008-09 SAFE SCHOOLS GRANT	84.184	N/A	12,786
2008-09 EVEN START FAMILY LITERACY	84.213	N/A	29,153
2009-10 IDEA B SPECIAL EDUCATION	84.027A	3370-LEA/3370C-CEIS	1,482,171
2008-09 IDEA B SPECIAL EDUCATION	84.027A	3379	457,269
2009-10 IDEA B PRESCHOOL	84.173A	3430-LEA/3430C-CEIS	84,122
2008-09 IDEA B PRESCHOOL	84.173B	3439	7,776
2009-10 TITLE III LEP	84.365A	N/A	10,090
2009-10 CARL PERKINS	84.048	N/A	85,360
2010-11 CARL PERKINS	84.048	N/A	8,637
2008-09 CARL PERKINS	84.048	N/A	10,125
CARL PERKINS CARRY FORWARD	84.048	N/A	2,124
2009-10 TITLE II - TEACHER QUALITY	84.367A	N/A	306,207
2008-09 TITLE II - TEACHER QUALITY	84.367A	N/A	153,770
2009-10 TITLE IV	84.186A	N/A	21,647
2007-08 TITLE IV	84.186A	N/A	1,202
2008-09 TITLE IV	84.186A	N/A	25,407
2008-09 IDEA B SPECIAL EDUCATION	84.391A	4249-LEA/4249C-CEIS	1,547,766

Henderson County School District  
Schedule of Expenditure of Federal Awards  
For the fiscal year ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Titles	Federal CFDA No.	Pass Through Identifying Numbers	Federal Expenditures
2009-10 TITLE II - PART D EDUCATION	83.41B	4250	3,014
2008-09 ENHANCING ED THRU TECH	83.418X	4258C	2,360
2008-09 TITLE II - PART D EDUCATION	84.31B	4259	10,319
2008-10 ENHANCING ED THRU TECH	84.318X	PON2-540-0900012362	59,236
2009-10 21 CCLC - SUMMER PROGRAM	84.287	E5218-3400002-08	2,934
2010-11 21ST CCLC SOUTH MIDDLE	84.287	E5218-3400002-08	36
2008-09 21ST CCLC SOUTH HEIGHTS	84.287	E5218-3400002-08	119,102
2008-09 21ST CCLC - NORTH MIDDLE	84.287	E5218-3400002-08	126,991
2008-09 21ST CCLC SOUTH MIDDLE	84.287	E5218-3400002-08	123,408
2009-10 SERVICE LEARNING GRANT	94.004	1*651	3,807
SERVICE LEARNING INSTITUTE	94.004	1*651	3
2008-09 SERVICE LEARNING GRANT	94.004	1*651	911
Total United States Department of Education			<u>8,070,127</u>
Total Expenditures of Federal Awards			<u>\$ 10,525,954</u>

**HENDERSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2010**

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**Note 1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Henderson County School District primary government, 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 and Local Governments and Non-Profit Organizations.

**Henderson County School District**  
**Schedule of Findings and Questioned Costs**  
**For the fiscal year ended June 30, 2010**

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**I. Summary of Audit Results:**

		<u>Results</u>
a.	Type of report issued on financial statements.	Unqualified
b.	Internal control over financial reporting:	
	* Material weakness identified?	No
	* Significant deficiencies identified that are not considered to be material weaknesses?	No
c.	Non-compliance material to financial statements noted?	No
d.	Internal control over major programs:	
	* Material weakness identified?	No
	* Significant deficiencies identified that are not considered to be material weaknesses?	No
e.	Type of auditors report issued on compliance for major programs?	Unqualified
f.	Any audit findings that are required to be reported in accordance with 510 (a) of Circular A-133?	No
g.	Identification of major programs:	
	10-550-10.555 United States Department of Agriculture-Food Donation and Child Nutrition Cluster	\$ 2,371,715
	84.389A Title I ARRA	\$ 892,802
h.	Dollar threshold used to distinguish between Type A and Type B Programs.	\$ 300,000
i.	Does the Henderson County School District qualify as a low risk auditee?	Yes

**II. Finding- Financial Statement Audit-June 30, 2010:**

There were no financial statement findings and recommendations resulting from our audit performed for the fiscal year ended June 30, 2010

**Part III- Findings and Questioned Costs-Major Federal Program Audit:**

None: There were no material findings and questioned costs related to major federal programs of the Henderson County School District for the fiscal year ended June 30, 2010.



**IV**      **Findings- Financial Statement Audit- Prior Year-June 30, 2009:**

The following findings from the previous fiscal year ended June 30, 2009 were satisfactorily addressed by management as follows:

**2009-01 Documentation of Supervisory Review and Approval of Journal Entries:**

**Condition:** It was noted from our review of the process related to the preparation and recording of general ledger journal entries, that in some instances, journal entries were not being signed and dated by the individual preparing the entry, nor the individual approving the entry.

**Criteria:** The current practice does not provide the necessary level of control over the journal entry process. Nor does it adequately document the transaction/entry was reviewed and approved.

**Cause:** No formal policy or procedure was in place to require each employee to sign as preparer or reviewer of journal entries.

**Recommendation:** Management should consider requiring all entries to be signed by the individual preparing the journal entry as well as being signed by the individual who approved the entry.

**Management Response:** Management concurs and has already implemented corrective action.

**Questioned Costs:** None.

**Current year follow up:** Practice has been implemented as recommended.

**IV Findings- Financial Statement Audit- Prior Year-June 30, 2009:**

**2009-02 Approval of Purchase Orders Prior to Disbursement of Funds:**

**Condition:** We noted during our audit that in some instances for small disbursements, purchase orders were approved subsequent to the date of the corresponding invoice. All of the items noted were for relatively small amounts.

**Criteria:** The practice does not ensure that the disbursement was properly approved prior to being executed.

**Cause:** Historically, it has been difficult in some instances for staff to obtain approval for small purchases prior to them being made.

**Recommendation:** If management's policy is to require purchase orders for all disbursements, if at all possible purchase orders should be obtained prior to funds being disbursed.

**Management's Response:** Management concurs and will make efforts to ensure purchase orders are obtained prior to disbursement of funds.

**Questioned Costs:** None.

**Current year status:** This has been satisfactorily addressed.

**IV**      **Findings- Financial Statement Audit- Prior Year-June 30, 2009:**

**2009-03 Documenting Review and Approval of Bank Reconciliation Documents:**

**Condition:** Several bank reconciliation documents were noted as not having an indication that these documents had been reviewed by supervisory personnel in the form of initials or signature. We were able to determine that the documents were being reviewed regularly; however, the review was not signing the form as evidence of the review.

**Criteria:** The risk related to not documenting the review is that there is no evidence of the review, and potentially an error in the reconciliation may go undetected.

**Cause:** Management had no standard policy or procedure in place to require that the document be signed by the preparer and reviewer.

**Recommendation:** Management should require that the individual preparing the bank reconciliation document sign and date the document after its completion and someone in a supervisory capacity document their review with a signature and date.

**Management Response:** Management concurs with this recommendation. The forms were being reviewed; however, the review was not documented in the form of signatures. This recommendation will be implemented immediately.

**Questioned costs:** None.

**Current Year Status:** Satisfactorily addressed by management.

