

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

RIVER FOREST COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/03/2014

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------|----------------------|
| Treasurer | Brenda McCormack | 07-01-11 to 06-30-14 |
| Superintendent of Schools | Dr. James H. Rice | 07-01-11 to 06-30-14 |
| President of the School Board | H. Marshall Gilliana II | 07-01-11 to 12-31-14 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE RIVER FOREST COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the River Forest Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

December 12, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE RIVER FOREST COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited, 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, the financial statement of the River Forest Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 12, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-1 and 2013-2 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

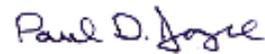
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1.

River Forest Community School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 School Corporation'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 School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 12, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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RIVER FOREST COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

| | Cash and Investments 07-01-11 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-12 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-13 |
|--|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General | \$ 821,754 | \$ 11,671,061 | \$ 11,454,366 | \$ 1,437 | \$ 1,039,886 | \$ 11,517,373 | \$ 11,718,394 | \$ 408 | \$ 839,273 |
| Debt Service | 302,346 | 46,662 | 83,919 | - | 265,089 | 102,449 | 211,083 | - | 156,455 |
| Exempt Debt | (222,628) | 2,606,650 | 1,626,617 | - | 757,405 | 1,543,985 | 1,550,197 | - | 751,193 |
| Exempt Retirement/Severance Bond Debt Service | (3,577) | 67,613 | 43,783 | - | 20,253 | 42,581 | 42,340 | - | 20,494 |
| Capital Projects | 7,259 | 728,576 | 549,522 | - | 186,313 | 430,442 | 461,348 | - | 155,407 |
| School Transportation | (184,821) | 743,268 | 474,944 | 14,407 | 97,910 | 511,928 | 581,203 | - | 28,635 |
| School Bus Replacement | 98,699 | 66,144 | - | - | 164,843 | 95,301 | 165,946 | - | 94,198 |
| Rainy Day | 712,530 | - | 5,000 | - | 707,530 | - | 230,000 | - | 477,530 |
| Construction | - | 520,476 | 520,476 | - | - | - | - | - | - |
| School Lunch | 146,674 | 841,159 | 784,113 | - | 203,720 | 846,703 | 821,253 | - | 229,170 |
| Textbook Rental | 195,721 | 155,882 | 157,239 | - | 194,364 | 216,600 | 105,009 | - | 305,955 |
| Self-Insurance | 3,133,008 | 1,370,056 | 1,943,385 | - | 2,559,679 | 1,813,379 | 2,162,715 | - | 2,210,343 |
| Educational License Plates | - | 19 | 19 | - | - | - | - | - | - |
| Early Intervention Grant | - | 44,009 | 40,908 | - | 3,101 | 30,000 | 33,101 | - | - |
| Extra-Curricular Activities | - | - | - | - | - | 6,929 | 6,929 | - | - |
| Donations/Building Corp | 12,177 | 2,105 | 1,644 | - | 12,638 | 3,000 | 4,233 | - | 11,405 |
| Elementary Literacy Program | - | 2,000 | 1,999 | (1) | - | - | - | - | - |
| Non-English Speaking Programs P.L. 273-1999 | 3,232 | 28,641 | 29,992 | - | 1,881 | 23,945 | 25,826 | - | - |
| School Technology Grant | 1,315 | - | 1,540 | - | (225) | - | 420 | - | (645) |
| Miscellaneous Programs | 18,567 | 30,121 | 23,346 | - | 25,342 | 29,567 | 28,079 | - | 26,830 |
| Improving English II | 5,496 | - | 718 | - | 4,778 | - | - | - | 4,778 |
| NiSource Environmental Challenge | - | 156 | 156 | - | - | - | - | - | - |
| Property Tax Replacement Credit | 14,407 | - | - | (14,407) | - | - | - | - | - |
| Title I | - | 421,144 | 445,313 | - | (24,169) | 667,410 | 663,954 | - | (20,713) |
| Title I | 4,854 | 725 | 5,579 | - | - | - | - | - | - |
| IDEA | - | 66,934 | 66,934 | - | - | - | - | - | - |
| (IDEA, Part B) LEA Capacity Building (Sliver) Grants | - | - | - | - | - | 69,994 | 69,994 | - | - |
| Drug Free Schools | 417 | 4,881 | 5,298 | - | - | - | - | - | - |
| Improving Teaching Quality, Title II | 365 | - | - | (365) | - | - | - | - | - |
| Improving Teaching Quality, Title II | - | 34,033 | 36,842 | 365 | (2,444) | 46,174 | 45,538 | - | (1,808) |
| Title III, Language Instruction | (332) | 19,635 | 19,303 | - | - | 32,249 | 32,249 | - | - |
| Title I - Grants to LEAs | (3,851) | 99,650 | 95,799 | - | - | - | - | - | - |
| Special Education - Part B | - | 7,212 | 7,212 | - | - | - | - | - | - |
| Education Jobs | - | 268,059 | 290,596 | - | (22,537) | 100,219 | 77,682 | - | - |
| Clearing | 81,265 | 2,446,933 | 2,443,732 | - | 84,466 | 2,624,568 | 2,617,715 | - | 91,319 |
| Prepaid Food | 1,120 | 104,730 | 104,334 | - | 1,516 | 122,202 | 122,240 | - | 1,478 |
| Fringe Benefit Clearing | - | 20,359 | 20,359 | - | - | 20,679 | 20,679 | - | - |
| Totals | \$ 5,145,997 | \$ 22,418,893 | \$ 21,284,987 | \$ 1,436 | \$ 6,281,339 | \$ 20,897,677 | \$ 21,798,127 | \$ 408 | \$ 5,381,297 |

The notes to the financial statement are an integral part of this statement.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant reimbursements not received by June 30, 2012 or 2013.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with the Meister School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2012 and 2013 totaled \$204,000 each year.

Note 9. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses health insurance benefits at the employee rate until age 65. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

| | General | Debt Service | Exempt Debt | Exempt Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day |
|---|---------------------|-------------------|-------------------|---|---------------------|--------------------------|------------------------------|-------------------|
| Cash and investments - beginning | \$ 821,754 | \$ 302,346 | \$ (222,628) | \$ (3,577) | \$ 7,259 | \$ (184,821) | \$ 98,699 | \$ 712,530 |
| Receipts: | | | | | | | | |
| Local sources | 195,847 | 46,662 | 2,606,650 | 67,613 | 728,576 | 742,768 | 66,144 | - |
| Intermediate sources | 335,208 | - | - | - | - | - | - | - |
| State sources | 11,124,998 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - |
| Other | 15,008 | - | - | - | - | 500 | - | - |
| Total receipts | <u>11,671,061</u> | <u>46,662</u> | <u>2,606,650</u> | <u>67,613</u> | <u>728,576</u> | <u>743,268</u> | <u>66,144</u> | <u>-</u> |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 6,253,789 | - | - | - | - | - | - | - |
| Support services | 4,859,017 | - | - | - | 276,069 | 474,944 | - | 5,000 |
| Noninstructional services | 341,560 | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 273,453 | - | - | - |
| Debt services | - | 83,919 | 1,626,617 | 43,783 | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | <u>11,454,366</u> | <u>83,919</u> | <u>1,626,617</u> | <u>43,783</u> | <u>549,522</u> | <u>474,944</u> | <u>-</u> | <u>5,000</u> |
| Excess (deficiency) of receipts over disbursements | <u>216,695</u> | <u>(37,257)</u> | <u>980,033</u> | <u>23,830</u> | <u>179,054</u> | <u>268,324</u> | <u>66,144</u> | <u>(5,000)</u> |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | 1,436 | - | - | - | - | - | - | - |
| Transfers in | 1 | - | - | - | - | 14,407 | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>1,437</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>14,407</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>218,132</u> | <u>(37,257)</u> | <u>980,033</u> | <u>23,830</u> | <u>179,054</u> | <u>282,731</u> | <u>66,144</u> | <u>(5,000)</u> |
| Cash and investments - ending | <u>\$ 1,039,886</u> | <u>\$ 265,089</u> | <u>\$ 757,405</u> | <u>\$ 20,253</u> | <u>\$ 186,313</u> | <u>\$ 97,910</u> | <u>\$ 164,843</u> | <u>\$ 707,530</u> |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Construction | School Lunch | Textbook Rental | Self-Insurance | Educational License Plates | Early Intervention Grant | Extra-Curricular Activities | Donations/ Building Corp |
|---|--------------|--------------|-----------------|----------------|----------------------------|--------------------------|-----------------------------|--------------------------|
| Cash and investments - beginning | \$ - | \$ 146,674 | \$ 195,721 | \$ 3,133,008 | \$ - | \$ - | \$ - | \$ 12,177 |
| Receipts: | | | | | | | | |
| Local sources | - | 103,088 | 58,673 | 1,370,056 | - | - | - | 2,105 |
| Intermediate sources | - | - | - | - | 19 | - | - | - |
| State sources | - | 2,777 | 97,209 | - | - | 44,009 | - | - |
| Federal sources | - | 735,294 | - | - | - | - | - | - |
| Temporary loans | 520,476 | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total receipts | 520,476 | 841,159 | 155,882 | 1,370,056 | 19 | 44,009 | - | 2,105 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | - | - | - | - | 40,908 | - | 912 |
| Support services | - | - | 157,239 | 20,685 | - | - | - | 732 |
| Noninstructional services | - | 784,113 | - | - | - | - | - | - |
| Facilities acquisition and construction | 520,476 | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 1,922,700 | 19 | - | - | - |
| Total disbursements | 520,476 | 784,113 | 157,239 | 1,943,385 | 19 | 40,908 | - | 1,644 |
| Excess (deficiency) of receipts over disbursements | - | 57,046 | (1,357) | (573,329) | - | 3,101 | - | 461 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 57,046 | (1,357) | (573,329) | - | 3,101 | - | 461 |
| Cash and investments - ending | \$ - | \$ 203,720 | \$ 194,364 | \$ 2,559,679 | \$ - | \$ 3,101 | \$ - | \$ 12,638 |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Elementary Literacy Program | Non-English Speaking Programs P.L. 273-1999 | School Technology Grant | Miscellaneous Programs | Improving English II | NiSource Environmental Challenge | Property Tax Replacement Credit | Title I |
|---|-----------------------------------|--|-------------------------------|---------------------------|-------------------------|--|---------------------------------------|-------------|
| Cash and investments - beginning | \$ - | \$ 3,232 | \$ 1,315 | \$ 18,567 | \$ 5,496 | \$ - | \$ 14,407 | \$ - |
| Receipts: | | | | | | | | |
| Local sources | 2,000 | - | - | - | - | 156 | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | 28,641 | - | 30,121 | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | 421,144 |
| Temporary loans | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total receipts | 2,000 | 28,641 | - | 30,121 | - | 156 | - | 421,144 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 1,999 | 29,992 | - | 23,346 | 718 | - | - | 342,883 |
| Support services | - | - | 1,540 | - | - | 156 | - | 99,535 |
| Noninstructional services | - | - | - | - | - | - | - | 2,895 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | 1,999 | 29,992 | 1,540 | 23,346 | 718 | 156 | - | 445,313 |
| Excess (deficiency) of receipts over disbursements | 1 | (1,351) | (1,540) | 6,775 | (718) | - | - | (24,169) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | (1) | - | - | - | - | - | (14,407) | - |
| Total other financing sources (uses) | (1) | - | - | - | - | - | (14,407) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (1,351) | (1,540) | 6,775 | (718) | - | (14,407) | (24,169) |
| Cash and investments - ending | \$ - | \$ 1,881 | \$ (225) | \$ 25,342 | \$ 4,778 | \$ - | \$ - | \$ (24,169) |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Title I | IDEA | (IDEA, Part B) LEA Capacity Building (Sliver) Grants | Drug Free Schools | Improving Teaching Quality, Title II | Improving Teaching Quality, Title II | Title III, Language Instruction |
|---|----------|--------|--|-------------------------|---|---|---------------------------------------|
| Cash and investments - beginning | \$ 4,854 | \$ - | \$ - | \$ 417 | \$ 365 | \$ - | \$ (332) |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | 725 | 66,934 | - | 4,881 | - | 34,033 | 19,635 |
| Temporary loans | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total receipts | 725 | 66,934 | - | 4,881 | - | 34,033 | 19,635 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 1,114 | 66,934 | - | 5,298 | - | 36,842 | - |
| Support services | 1,505 | - | - | - | - | - | 15,648 |
| Noninstructional services | 2,960 | - | - | - | - | - | 3,655 |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | 5,579 | 66,934 | - | 5,298 | - | 36,842 | 19,303 |
| Excess (deficiency) of receipts over disbursements | (4,854) | - | - | (417) | - | (2,809) | 332 |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | 365 | - |
| Transfers out | - | - | - | - | (365) | - | - |
| Total other financing sources (uses) | - | - | - | - | (365) | 365 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (4,854) | - | - | (417) | (365) | (2,444) | 332 |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (2,444) | \$ - |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

| | Title I - Grants to LEAs | Special Education - Part B | Education Jobs | Clearing | Prepaid Food | Fringe Benefit Clearing | Totals |
|---|--------------------------------|----------------------------------|--------------------|------------------|-----------------|-------------------------------|---------------------|
| Cash and investments - beginning | \$ (3,851) | \$ - | \$ - | \$ 81,265 | \$ 1,120 | \$ - | \$ 5,145,997 |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | 5,990,338 |
| Intermediate sources | - | - | - | - | - | - | 335,227 |
| State sources | - | - | - | - | - | - | 11,327,755 |
| Federal sources | 99,650 | 7,212 | 268,059 | - | - | - | 1,657,567 |
| Temporary loans | - | - | - | - | - | - | 520,476 |
| Other | - | - | - | 2,446,933 | 104,730 | 20,359 | 2,587,530 |
| Total receipts | <u>99,650</u> | <u>7,212</u> | <u>268,059</u> | <u>2,446,933</u> | <u>104,730</u> | <u>20,359</u> | <u>22,418,893</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 86,646 | 7,212 | 290,596 | - | - | - | 7,189,189 |
| Support services | 9,153 | - | - | - | - | - | 5,921,223 |
| Noninstructional services | - | - | - | - | - | - | 1,135,183 |
| Facilities acquisition and construction | - | - | - | - | - | - | 793,929 |
| Debt services | - | - | - | - | - | - | 1,754,319 |
| Nonprogrammed charges | - | - | - | 2,443,732 | 104,334 | 20,359 | 4,491,144 |
| Total disbursements | <u>95,799</u> | <u>7,212</u> | <u>290,596</u> | <u>2,443,732</u> | <u>104,334</u> | <u>20,359</u> | <u>21,284,987</u> |
| Excess (deficiency) of receipts over disbursements | <u>3,851</u> | <u>-</u> | <u>(22,537)</u> | <u>3,201</u> | <u>396</u> | <u>-</u> | <u>1,133,906</u> |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 1,436 |
| Transfers in | - | - | - | - | - | - | 14,773 |
| Transfers out | - | - | - | - | - | - | (14,773) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,436</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>3,851</u> | <u>-</u> | <u>(22,537)</u> | <u>3,201</u> | <u>396</u> | <u>-</u> | <u>1,135,342</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (22,537)</u> | <u>\$ 84,466</u> | <u>\$ 1,516</u> | <u>\$ -</u> | <u>\$ 6,281,339</u> |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

| | General | Debt Service | Exempt Debt | Exempt Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day |
|---|-------------------|-------------------|-------------------|---|---------------------|--------------------------|------------------------------|-------------------|
| Cash and investments - beginning | \$ 1,039,886 | \$ 265,089 | \$ 757,405 | \$ 20,253 | \$ 186,313 | \$ 97,910 | \$ 164,843 | \$ 707,530 |
| Receipts: | | | | | | | | |
| Local sources | 203,903 | 102,449 | 1,543,985 | 42,581 | 430,442 | 511,928 | 95,301 | - |
| Intermediate sources | 215,710 | - | - | - | - | - | - | - |
| State sources | 11,097,760 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Total receipts | <u>11,517,373</u> | <u>102,449</u> | <u>1,543,985</u> | <u>42,581</u> | <u>430,442</u> | <u>511,928</u> | <u>95,301</u> | <u>-</u> |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 6,813,175 | - | - | - | - | - | - | - |
| Support services | 4,609,370 | 16,983 | - | - | 299,778 | 581,203 | 165,946 | - |
| Noninstructional services | 295,849 | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | 161,570 | - | - | 230,000 |
| Debt services | - | 194,100 | 1,550,197 | 42,340 | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | <u>11,718,394</u> | <u>211,083</u> | <u>1,550,197</u> | <u>42,340</u> | <u>461,348</u> | <u>581,203</u> | <u>165,946</u> | <u>230,000</u> |
| Excess (deficiency) of receipts over disbursements | <u>(201,021)</u> | <u>(108,634)</u> | <u>(6,212)</u> | <u>241</u> | <u>(30,906)</u> | <u>(69,275)</u> | <u>(70,645)</u> | <u>(230,000)</u> |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | <u>408</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(200,613)</u> | <u>(108,634)</u> | <u>(6,212)</u> | <u>241</u> | <u>(30,906)</u> | <u>(69,275)</u> | <u>(70,645)</u> | <u>(230,000)</u> |
| Cash and investments - ending | <u>\$ 839,273</u> | <u>\$ 156,455</u> | <u>\$ 751,193</u> | <u>\$ 20,494</u> | <u>\$ 155,407</u> | <u>\$ 28,635</u> | <u>\$ 94,198</u> | <u>\$ 477,530</u> |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Construction | School Lunch | Textbook Rental | Self-Insurance | Educational License Plates | Early Intervention Grant | Extra-Curricular Activities | Donations/ Building Corp |
|---|--------------|--------------|-----------------|----------------|----------------------------|--------------------------|-----------------------------|--------------------------|
| Cash and investments - beginning | \$ - | \$ 203,720 | \$ 194,364 | \$ 2,559,679 | \$ - | \$ 3,101 | \$ - | \$ 12,638 |
| Receipts: | | | | | | | | |
| Local sources | - | 120,724 | 126,655 | 1,813,379 | - | - | - | 3,000 |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | 2,262 | 89,945 | - | - | 30,000 | 6,929 | - |
| Federal sources | - | 723,717 | - | - | - | - | - | - |
| Total receipts | - | 846,703 | 216,600 | 1,813,379 | - | 30,000 | 6,929 | 3,000 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | - | - | - | - | 33,101 | - | 3,547 |
| Support services | - | - | 105,009 | 20,415 | - | - | - | 686 |
| Noninstructional services | - | 821,253 | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | 2,142,300 | - | - | 6,929 | - |
| Total disbursements | - | 821,253 | 105,009 | 2,162,715 | - | 33,101 | 6,929 | 4,233 |
| Excess (deficiency) of receipts over disbursements | - | 25,450 | 111,591 | (349,336) | - | (3,101) | - | (1,233) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 25,450 | 111,591 | (349,336) | - | (3,101) | - | (1,233) |
| Cash and investments - ending | \$ - | \$ 229,170 | \$ 305,955 | \$ 2,210,343 | \$ - | \$ - | \$ - | \$ 11,405 |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Elementary Literacy Program | Non-English Speaking Programs P.L. 273-1999 | School Technology Grant | Miscellaneous Programs | Improving English II | NiSource Environmental Challenge | Property Tax Replacement Credit | Title I |
|---|-----------------------------------|--|-------------------------------|---------------------------|-------------------------|--|---------------------------------------|-------------|
| Cash and investments - beginning | \$ - | \$ 1,881 | \$ (225) | \$ 25,342 | \$ 4,778 | \$ - | \$ - | \$ (24,169) |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - |
| State sources | - | 23,945 | - | 29,567 | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | 667,410 |
| Total receipts | - | 23,945 | - | 29,567 | - | - | - | 667,410 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | 25,826 | - | 28,079 | - | - | - | 530,421 |
| Support services | - | - | 420 | - | - | - | - | 130,186 |
| Noninstructional services | - | - | - | - | - | - | - | 3,347 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Total disbursements | - | 25,826 | 420 | 28,079 | - | - | - | 663,954 |
| Excess (deficiency) of receipts over disbursements | - | (1,881) | (420) | 1,488 | - | - | - | 3,456 |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | (1,881) | (420) | 1,488 | - | - | - | 3,456 |
| Cash and investments - ending | \$ - | \$ - | \$ (645) | \$ 26,830 | \$ 4,778 | \$ - | \$ - | \$ (20,713) |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Title I | IDEA | (IDEA, Part B) LEA Capacity Building (Sliver) Grants | Drug Free Schools | Improving Teaching Quality, Title II | Improving Teaching Quality, Title II | Title III, Language Instruction |
|---|---------|------|--|-------------------------|---|---|---------------------------------------|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (2,444) | \$ - |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | - | 69,994 | - | - | 46,174 | 32,249 |
| Total receipts | - | - | 69,994 | - | - | 46,174 | 32,249 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | - | - | 45,538 | - |
| Support services | - | - | 69,994 | - | - | - | 32,249 |
| Noninstructional services | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Total disbursements | - | - | 69,994 | - | - | 45,538 | 32,249 |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | 636 | - |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | - | - | - | 636 | - |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (1,808) | \$ - |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

| | Title I - Grants to LEAs | Special Education - Part B | Education Jobs | Clearing | Prepaid Food | Fringe Benefit Clearing | Totals |
|---|--------------------------------|----------------------------------|-------------------|-----------|-----------------|-------------------------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ (22,537) | \$ 84,466 | \$ 1,516 | \$ - | \$ 6,281,339 |
| Receipts: | | | | | | | |
| Local sources | - | - | - | - | - | - | 4,994,347 |
| Intermediate sources | - | - | - | - | - | - | 215,710 |
| State sources | - | - | - | - | - | - | 11,280,408 |
| Federal sources | - | - | 100,219 | 2,624,568 | 122,202 | 20,679 | 4,407,212 |
| Total receipts | - | - | 100,219 | 2,624,568 | 122,202 | 20,679 | 20,897,677 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | 77,682 | - | - | - | 7,557,369 |
| Support services | - | - | - | - | - | - | 6,032,239 |
| Noninstructional services | - | - | - | - | - | - | 1,120,449 |
| Facilities acquisition and construction | - | - | - | - | - | - | 391,570 |
| Debt services | - | - | - | - | - | - | 1,786,637 |
| Nonprogrammed charges | - | - | - | 2,617,715 | 122,240 | 20,679 | 4,909,863 |
| Total disbursements | - | - | 77,682 | 2,617,715 | 122,240 | 20,679 | 21,798,127 |
| Excess (deficiency) of receipts over disbursements | - | - | 22,537 | 6,853 | (38) | - | (900,450) |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | 408 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | - | 22,537 | 6,853 | (38) | - | (900,042) |
| Cash and investments - ending | \$ - | \$ - | \$ - | \$ 91,319 | \$ 1,478 | \$ - | \$ 5,381,297 |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

| Lessor | Purpose | Annual Lease Payment | Lease Beginning Date | Lease Ending Date |
|--------------------------------|-------------------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities: | | | | |
| Capital leases: | | | | |
| Energy Savings | Energy Savings at all schools | \$ 131,641 | 12-20-04 | 09-20-14 |
| Meister School Building Corp | Meister Addition | <u>204,000</u> | 07-10-04 | 01-10-16 |
| Total of annual lease payments | | <u>\$ 335,641</u> | | |

| Type | Description of Debt Purpose | Ending Principal Balance | Principal and Interest Due Within One Year |
|---------------------------|--|--------------------------------|---|
| Notes and loans payable: | | | |
| Common School Fund Loans: | | | |
| A0533 | HS Renovation | \$ 10,202,610 | \$ 926,083 |
| A0550 | HS Renovation | 3,090,000 | 327,540 |
| A0565 | Elementary Roof Project | 117,167 | 16,897 |
| A0594 | RF complex Roof and Misc | 463,250 | 72,485 |
| A0589 | Meister Elementary Projects | 178,572 | 42,500 |
| Veterans Memorial Loans: | | | |
| # 5830 | HS Canopy | 26,829 | 6,230 |
| # 140025 | HS renovation - fire damage | 437,500 | 39,375 |
| Bonds payable: | | | |
| General obligation bonds: | | | |
| Pension Bonds | Severance/Retirement - Certified Staff | <u>203,266</u> | <u>40,852</u> |
| Totals | | <u>\$ 14,719,194</u> | <u>\$ 1,471,962</u> |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| | Ending Balance | |
|------------------------------------|-------------------|---------------|
| Governmental activities: | | |
| Land | \$ - | Not Available |
| Buildings | 10,811,500 | |
| Improvements other than buildings | 1,927,072 | |
| Machinery, equipment, and vehicles | 1,627,507 | |
| Total capital assets | \$ 14,366,079 | |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE RIVER FOREST COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the River Forest Community School Corporation's (School Corporation) 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 its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation'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 the School Corporation'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 School Corporation'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 School Corporation's compliance.

Basis for Qualified Opinion on Education Jobs Fund

As described in item 2013-6 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Education Jobs Fund program. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Education Jobs Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Education Jobs Fund program for the period of July 1, 2011 to June 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-4. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School Corporation 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 School Corporation'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 our opinion on compliance for each major federal program 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 School Corporation's internal control over compliance.

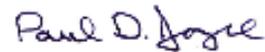
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-3 and 2013-5 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 12, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-12 | Total Federal Awards Expended 06-30-13 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | |
| Child Nutrition Cluster | Indiana Department of Education | | | | |
| School Breakfast Program | | 10.553 | | \$ 169,876 | \$ 168,025 |
| National School Lunch Program | | 10.555 | | 569,203 | 556,618 |
| Summer Food Service Program for Children | | 10.559 | | <u>42,961</u> | <u>44,452</u> |
| Total for cluster | | | | <u>782,040</u> | <u>769,095</u> |
| Child and Adult Care Food Program | Indiana Department of Education | | | <u>5,274</u> | <u>5,981</u> |
| Total for federal grantor agency | | | | <u>787,314</u> | <u>775,076</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | |
| Title I, Part A Cluster | | | | | |
| Title I Grants to Local Educational Agencies | Indiana Department of Education | | | | |
| | | 84.010 | 11-4590 | 725 | - |
| | | | 12-4590 | 421,144 | 247,088 |
| | | | 13-4590 | <u>-</u> | <u>420,322</u> |
| Total for program | | | | <u>421,869</u> | <u>667,410</u> |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | Indiana Department of Education | | | <u>99,650</u> | - |
| Total for cluster | | | | <u>521,519</u> | <u>667,410</u> |
| Special Education Cluster | | | | | |
| Special Education - Grants to States | | 84.027 | | | |
| Assistive Technology Program | | | A58-2-12DL-0132 | 66,934 | - |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

| Federal Grantor Agency Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-12 | Total Federal Awards Expended 06-30-13 |
|---|---|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF EDUCATION (continued)</u> | | | | | |
| Special Education Cluster (continued) | | | | | |
| Special Education - Grants to States (continued) | | | | | |
| Special Education Improvement Award | | | 4590 | - | 69,994 |
| Total for program | | | | <u>66,934</u> | <u>69,994</u> |
| ARRA Special Education - Grants to States, Recovery Act | Northwest Indiana Special Education Cooperative | 84.391 | 33301-SN01 | 7,212 | - |
| Total for cluster | | | | <u>74,146</u> | <u>69,994</u> |
| Safe and Drug Free Schools and Communities - State Grants | Indiana Department of Education | 84.186 | 09-4590 | 4,881 | - |
| English Language Acquisition State Grants | Indiana Department of Education | 84.365 | 01111-040-PN01 01112-040-PN01 01113-044-PN01 | 13,066 6,569 - | - 26,444 5,805 |
| Total for program | | | | <u>19,635</u> | <u>32,249</u> |
| Improving Teacher Quality State Grants | Indiana Department of Education | 84.367 | 11-4590 12-4590 | 34,033 - | 15,354 30,820 |
| Total for program | | | | <u>34,033</u> | <u>46,174</u> |
| Education Jobs Fund | Indiana Department of Education | 84.410 | 45-4590 | 268,059 | 100,219 |
| Total for federal grantor agency | | | | <u>922,273</u> | <u>916,046</u> |
| Total federal awards expended | | | | <u>\$ 1,709,587</u> | <u>\$ 1,691,122</u> |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the River Forest Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2012 | 2013 |
|-------------------------------|---------------------------|-----------|-----------|
| School Breakfast Program | 10.553 | \$ 11,957 | \$ 11,909 |
| National School Lunch Program | 10.555 | 40,063 | 39,450 |

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

| | |
|--|--|
| Type of auditor's report issued: | Adverse as to GAAP; Unmodified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

| | |
|--|--|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified for the Child Nutrition Cluster and Qualified for Education Jobs Fund |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes |

Identification of Major Programs:

| CFDA Number | <u>Name of Federal Program or Cluster</u> |
|----------------|--|
| 84.410 | Child Nutrition Cluster Education Jobs Fund |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-1 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

receipts. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. One person is responsible for issuing, recording, reconciling, and reporting of receipts. There is no segregation of duties, including no oversight, review, or approval process.

2. Issuing and Recording Receipts: Receipt information is collected and deposits are made daily throughout the month; however, official receipts are not issued or recorded until month's end. This process allows the receipts to be issued in date order since the School Corporation does not immediately receive notification of electronically transferred receipts and since food service receipts are deposited separately and reported to the Treasurer once a month. In addition, official receipts are not issued for food service deposits; an edit transaction is used to record monthly totals. Failure to timely record receipt transactions results in inaccurate cash and investment balances during the month.
3. Issuing and Recording Manual Checks: Some recurring disbursements are made prior to School Board approval. Manually prepared checks are issued for these disbursements; however, they are not recorded when issued. Manual checks are recorded to the financial records when computer generated checks are prepared for the Board meeting. Failure to timely record disbursement transactions results in inaccurate cash and investment balances during the month.
4. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9).

FINDING 2013-2 - INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation has not designed a proper system of internal control, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer independently prepares the SEFA for inclusion in the financial report without oversight, review

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

or approval. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having a proper oversight, review or approval process and would allow the School Corporation to prevent, or detect and correct, errors on the SEFA in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Year: FY 2012 and FY 2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the Child Nutrition Cluster programs. This includes the compliance requirements for Eligibility, Equipment Management, Procurement, Suspension and Debarment, Reporting, and the Special Tests and Provisions of Verification of Free and Reduced Price Applications. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Eligibility and Verification of Free and Reduced Price Applications

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches is properly determined or that the applications for free and reduced price lunches are verified in compliance with program requirements. The Food Service Director is solely responsible for the eligibility determinations and verifications. An oversight or review process has not been established to ensure accurate eligibility determinations or proper verification of the applications.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Equipment Management

The School Corporation did not have effective policies and procedures in place to account for and safeguard assets, including those purchased with federal funds. The School Corporation engaged a consultant to perform a physical inventory and prepare a capital asset report every two years. The additions of capital assets were compiled by School Corporation officials. Disposals of assets were not compiled for the consultant. An adequate oversight or review process has not been established to ensure the accuracy of the capital asset report. In addition, a system does not exist to provide separate identification for items acquired with federal and nonfederal funds.

Procurement; Suspension and Debarment

The School Corporation relied on a consultant from a purchasing cooperative to perform procurement activities and to verify compliance with Suspension and Debarment requirements. The Food Service Director evaluated the consultant's recommended vendors for bread and milk/dairy products based on product availability and past performance. Upon the Director's approval, the cooperative board approved the winning awards. Procurement of a Third Party Purchasing service for other food products, materials and supplies is approved by the cooperative board. There was no local School Corporation oversight or approval of the Director's decisions or of the consultant's responsibilities.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared and timely submitted. The Food Service Director was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

**FINDING 2013-4 - EQUIPMENT MANAGEMENT COMPLIANCE -
CHILD NUTRITION CLUSTER PROGRAMS**

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Year: FY 2012 and FY 2013
Pass-Through Entity: Indiana Department of Education

The School Corporation failed to include all applicable equipment purchased with food service funds in their capital assets records. The School Corporation also does not maintain capital asset records that identify equipment and other property acquired with federal funds. Equipment purchased during the audit period represented 6 percent of program expenditures.

The School Corporation hired a consultant to perform a physical inventory and prepare a capital asset report for the two year period ending June 30, 2012. The Food Service Director also maintained equipment lists by school location. Not all of the capital assets purchased, in whole or in part with Child Nutrition Cluster program funds, were added to the capital asset report of the School Corporation. 17 percent of equipment purchases exceeding \$5,000 each from the School Lunch account were not included in the capital asset report of the School Corporation; 37 percent of these equipment expenditures were not included in the equipment lists of the Food Service Department. Neither the Food Service Director's equipment lists nor the asset report of the School Corporation identified these assets as purchased with federal funds.

The School Corporation's asset report also included food service machinery and equipment totaling \$33,800 that was retired during the report period; however, the Food Service Director's lists did not note these retirements. The Food Service Director's equipment lists are not reconciled with the School Corporation's capital asset report prepared by the consultant to ensure the accuracy of the records.

7 CFR 3016.32 states in part:

"(b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . .

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(e) Disposition. When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or program or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:

- (1) Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency.
- (2) Items of equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment."

Failure to maintain detailed and accurate equipment and property records and to reconcile the physical inventory with these records could result in assets being lost, stolen, misappropriated, or disposed of improperly and could also result in these irregularities not being detected within a reasonable time.

We recommended that School Corporation officials ensure that accurate detailed capital asset records are maintained, and that assets acquired with federal funds are identified as such.

FINDING 2013-5 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE EDUCATION JOBS FUND PROGRAM

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Year: FY 2012
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system for ensuring that Education Jobs Fund reports were accurate and timely. The School Corporation had no procedures in place to verify that the quarterly reports or the requests for reimbursement were accurate. The Treasurer was solely responsible for preparing and submitting all required reports. Segregation of duties, such as an oversight or approval process, had not been established.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the applicable compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

**FINDING 2013-6 - COMPLIANCE WITH CASH MANAGEMENT
AND REPORTING - EDUCATION JOBS FUND**

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Year: FY 2012
Pass-Through Entity: Indiana Department of Education

The School Corporation was required to request reimbursement for payroll expenses related to the Education Jobs Fund program from the Indiana Department of Education (IDOE). They filed 14 reports to request reimbursement during the grant period. Of the 14 requests filed, 8 requests, or 57 percent, did not specify the date of the payroll expense or the pay period; instead, only the month was noted. The pay period was not properly documented; therefore, we could not determine if the expenses were incurred prior to the reimbursement request date.

Beginning July 1, 2010, the IDOE allowed subgrantees to request reimbursement by the 1st and 15th of each month. Requests for reimbursement filed by the 1st could include anticipated expenses through the 15th; requests for reimbursement filed by the 15th could include anticipated expenses through the 30th. However, the IDOE notified school corporations on July 29, 2011, that they must immediately begin to reimburse on actual expenditures only.

34 CFR 80.21 states in part:

"(a) *Scope*. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) *Basic standard*. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met."

31 CFR 205.12(b)(5) requires costs for which reimbursement is requested to be paid prior to the date of the reimbursement request.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Noncompliance with the cash management and reporting requirements as set forth by the grant agreements may jeopardize future funding by the pass-through agency.

We recommended that School Corporation officials properly document the period for which reimbursement is requested and ensure that expenses are incurred prior to requesting reimbursement to ensure compliance with cash management and reporting requirements.

River Forest Community School Corporation
Financial Office
3250 Michigan Street
Hobart, IN 46342
219-962-2909

Brenda McCormack, Treasurer
Debbie Pavloff, Accts Payable / Payroll

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-1 – Inaccurate Reporting – School Lunch Reports

Original SBA Audit Report Number: B40091

Fiscal Year: July 1, 2009 to June 30, 2011

Auditee Contact Person: Brenda McCormack



Title Of Contact Person: Treasurer

Phone Number: 219-962-2909

Status of Finding:

A meeting was held with Carrie Nowacki, Food Service Director, and the Treasurer of the school Corporation, Brenda McCormack, after the last audit. Brenda McCormack requested that Carrie file her School Lunch Reimbursement report on line before the 10th of each month, and to only use one reporting method to do so. She has been using the Edit Check Reports for more accuracy in reporting the number of students for meals since the last audit period.

In the 18 month period of January 1, 2012 to June 30, 2013, Carrie has filed most of her reports in a timely manner. In looking through my School Lunch records, I find the following:

July 2012 filed 8/13/2012 (Carrie does not work in the summer)

September, 2012 filed 10/11/2012 - 1 day past the 10th

March, 2013 filed 4/26/2013 - Carrie said she forgot to file it after Spring Break

I send monthly reports to Carrie well before the 10th of each month. Most often, as soon as I have reconciled the bank statement, I send her reports to her. I do my best to try to stay on top of her reporting, but I admit that with all my other duties, I rely on Carrie to file these reports on time.

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CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

Finding 2013-1 Internal Control over Financial Transactions and Reporting

Lack of Segregation of Duties:

The official's of River Forest Community School Corporation realizes that there may be some internal control issues with the lack of segregation of duties. River Forest is a small school district and does not have the resources to hire additional staff to better segregate the duties. We do the best we can on the limited amount of funds from the State of Indiana.

Issuing and Recording Receipts:

The Treasurer is responsible for issuing and recording receipts. Beginning in December, the payroll clerk/accounts payable person will open all mail and login, on a newly created form, any checks, cash or deposit advices that are received. She will then give them to the Treasurer for remote deposit of checks to the bank and for issuing the receipt and posting the receipts. We currently do not have a dedicated printer available to issue receipts on a daily basis.

Issuing and Recording Manual Checks:

Pre Pay checks will be monitored by the treasurer before they are mailed out. Again, we are short staffed, so we are unable at this time to post and record the manual checks separately from the board meeting checks.

Monitoring of Controls:

The Treasurer will prepare a record of receipt's and expenditures on a monthly basis for the School Board to review. The Superintendent will discuss the issue of monitoring and evaluating the system internal controls with the School Board.

Finding 2013-2 Internal Controls over Schedule of Expenditures of Federal Awards:

The Superintendent or his/her designee will review and initial the Schedule of Expenditures of Federal Awards (SEFA) after the Treasurer prepares it for future audits.

FINDING NO. 2013-3 – Internal Controls over compliance Requirements that have a Direct and Material Effect on the Child Nutrition Cluster Programs

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 010.559
Federal Award Number and Year: FY 2012 and FY 2013
Pass-through Agency: Indiana Department of Education
Auditee Contact Person: Brenda McCormack
Contact Phone Number: 219-962-2909
Expected Completion Date: 2014

Eligibility and Verification of Free and Reduced Price Applications

River Forest will establish controls including segregation of duties related to the Food Service Department. Changes will be made so that more than one person approves and verifies breakfast and lunch applications.

Equipment Management

The officials of River Forest Community School Corporation will work with our consultant that inventory's our capital assets to ensure that all equipment purchased with Federal Funds will be identified separately from Non-Federal Funds equipment. We will also work with department heads and Administrators to properly record disposal of property.

Procurement; Suspension and Disbarment

The School Board will oversee and approve all vendors for food service based on the cooperative consultant's recommendation.

Reporting:

The officials of River Forest Community School Corporation will implement a procedure to ensure that required reports are accurately prepared and timely submitted.

Finding 2012-4 Equipment Management Compliance – Child Nutrition Cluster Programs

**Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year: FY 2012 and FY 2013
Pass-through Agency: Indiana Department of Education
Auditee Contact Person: Brenda McCormack
Contact Phone Number: 219-962-2909
Expected Completion Date: 2014**

The officials of River Forest Community School Corporation will contact the consultant for our Asset preparation to ensure that the Federally Funded Equipment purchases are so marked. We will also try to do a better job with the disposal of equipment to make sure that is logged in properly in a disposal record to have available for the consultant when our assets are being compiled. .

Finding 2013-5 Internal Controls over Cash Management and Reporting Requirements that have a direct and material effect on the Education Jobs Fund Program

**Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year: FY 2012
Pass-through Agency: Indiana Department of Education
Auditee Contact Person: Brenda McCormack
Contact Phone Number: 219-962-2909
Expected Completion Date: 12/12/2013**

The Treasurer did request reimbursement after each pay period, but did not attach documentation of the expenditure report for each pay period's expense. The grant has now ended and we will not have this issue in the future. All future reimbursements for Federal Grants will have documentation provided.

Finding 2013-6 Compliance with Cash Management and Reporting - Education Jobs Fund

**Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year: FY 2012
Pass-through Agency: Indiana Department of Education
Auditee Contact Person: Brenda McCormack
Contact Phone Number: 219-962-2909
Expected Completion Date: 12/12/2013**

Reimbursements were requested after each payroll, but documentation was not always attached to reimbursement form. The grant is now over and we will not have this issue in the future with this grant. All future reimbursements for Federal Grants will have documentation provided.

James H. Rice

Superintendent

12/12/2013

RIVER FOREST COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2013, with Brenda McCormack, Treasurer; Dr. James H. Rice, Superintendent of Schools; Thomas L. Cripiver, Assistant Superintendent of Schools; and Michelle Martin, Secretary of the School Board. Our audit disclosed no material items that warrant comment at this time.