

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

GRIFFITH PUBLIC SCHOOLS
LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/25/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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	6-7
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	11
Notes to Financial Statement	12-17
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	20-27
Schedule of Leases and Debt	28
Schedule of Capital Assets	29
Other Report	30
Audit Results and Comments: Collective Bargaining Agreement	31
Condition of Records	31-32
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	34-36
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41-47
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	48
Corrective Action Plan	49-50
Exit Conference	51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeannette E. Bapst	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Peter Morikis	07-01-11 to 06-30-14
President of the School Board	Richard Muha John Dudlicek Raymond White	07-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 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 GRIFFITH PUBLIC SCHOOLS, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Griffith Public Schools (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 January 22, 2014, 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

January 22, 2014



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 GRIFFITH PUBLIC SCHOOLS, 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 Griffith Public Schools (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 January 22, 2014, 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 item 2013-001 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 2013-001.

Griffith Public Schools' 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

January 22, 2014

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

GRIFFITH PUBLIC SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

- 11 -

	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	\$ 1,188,985	\$ 15,610,236	\$ 15,998,215	\$ 38,295	\$ 839,301	\$ 15,558,199	\$ 15,157,700	\$ 3,000	\$ 1,242,800
Debt Service	445,477	1,066,771	993,451	-	518,797	901,767	1,005,497	-	415,067
Exempt Debt	(594,846)	6,485,704	4,569,179	-	1,321,679	4,212,269	3,879,351	-	1,654,597
Exempt Retirement/Severance Bond Debt Service	(142,473)	772,658	603,759	-	26,426	523,467	548,247	-	1,646
Capital Projects	389,461	1,539,563	1,104,039	-	824,985	973,219	1,034,215	(100,000)	663,989
School Transportation	182,905	988,647	807,472	-	364,080	740,823	583,952	(150,000)	370,951
School Bus Replacement	80,280	122,733	123,063	-	79,950	97,919	-	-	177,869
Rainy Day	253,565	-	100,000	-	153,565	-	-	250,000	403,565
Retirement/Severance Bond	842,030	-	-	-	842,030	-	187,971	-	654,059
Beiriger Construction	825,857	4,486	241,325	-	589,018	-	589,018	-	-
School Lunch	369,608	1,162,876	1,212,402	-	320,082	1,125,835	1,191,889	-	254,028
Textbook Rental	246,629	384,948	433,768	(38,295)	159,514	364,329	273,375	-	250,468
Health Insurance Reserve	1,139,759	2,036,244	1,499,406	-	1,676,597	147,701	445,252	(3,000)	1,376,046
Alternative Education	-	9,679	9,679	-	-	10,956	10,956	-	-
Early Literacy Grant	-	29,748	29,748	-	-	-	-	-	-
High Ability Grant	16,597	35,058	30,507	-	21,148	34,224	36,408	-	18,964
Non-English Speaking Programs P.L. 273-1999	-	4,594	4,594	-	-	3,205	3,205	-	-
School Technology	1,343	30,182	31,525	-	-	30,422	29,895	-	527
Common School Funds	-	327,315	326,760	-	555	553,310	553,865	-	-
Title One 2010-11	(3,309)	91,645	88,336	-	-	-	-	-	-
Title One 2011-12	-	330,776	340,470	-	(9,694)	59,665	49,971	-	-
Title One 2012-13	-	-	-	-	-	366,384	374,554	-	(8,170)
Assistive Technology	-	69,914	69,914	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	68,168	68,168	-	-
Drug Free Schools	-	1,554	1,554	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	41,417	49,323	-	(7,906)	16,667	8,761	-	-
Title III, Language Instruction	-	2,355	2,355	-	-	-	-	-	-
Reading First, No Child Left Behind	-	-	-	-	-	1,025	1,025	-	-
Title I - Grants to LEAs	-	3,325	3,325	-	-	-	-	-	-
Education Jobs	(25,500)	306,000	280,500	-	-	94,452	94,452	-	-
Clearing	199,916	4,556,880	4,634,294	-	122,502	4,359,841	4,382,857	-	99,486
Totals	\$ 5,416,284	\$ 36,015,308	\$ 33,588,963	\$ -	\$ 7,842,629	\$ 30,243,847	\$ 30,510,584	\$ -	\$ 7,575,892

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

GRIFFITH PUBLIC SCHOOLS
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.

GRIFFITH PUBLIC SCHOOLS
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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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, funds held temporarily for an authorized recipient, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

GRIFFITH PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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 are 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.

GRIFFITH PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

GRIFFITH PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 the funds being set up for reimbursable grants.

Note 8. Restatements

For the year ended June 30, 2012, a change has been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

GRIFFITH PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Balance as of June 30, 2011	New Fund - Clearing	Balance as of July 1, 2011
\$ 5,216,368	\$ 199,916	\$ 5,416,284

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with the Griffith Multi-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 \$2,794,000 and \$2,907,000, respectively.

Note 10. Subsequent Events

On July 19, 2013, the Griffith Multi-School Building Corporation issued \$1,975,000 of Ad Valorem Property Tax First Mortgage Bonds, Series 2013 for the purpose of paying the costs of the renovation of and improvements to the Griffith Senior High School facilities and equipment, and to pay issuance expenses. The bonds are secured by and payable from fixed, semiannual lease rental payments to be paid by Griffith Public Schools. The lease rental payments are payable from ad valorem property taxes levied on all taxable property within the School Corporation in an amount sufficient to pay the lease rental payments as they become due.

On November 14, 2013, the School Board approved the transfer of real estate to the Griffith Redevelopment Commission (Commission) pursuant to Indiana Code 36-1-11-8 for \$650,000. The Commission shall pay the School Corporation \$250,000 upon the date of closing. The remaining \$400,000 shall be paid in annual \$100,000 payments on or before July 1 of each year until the balance has been paid in full. There shall be no interest due from the Commission on the principal balance. The School Corporation expects to close on the transfer of the real estate in January 2014.

Note 11. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses health benefits. 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.

(This page intentionally left blank.)

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.

GRIFFITH PUBLIC SCHOOLS
 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	\$ 1,188,985	\$ 445,477	\$ (594,846)	\$ (142,473)	\$ 389,461	\$ 182,905	\$ 80,280	\$ 253,565
Receipts:								
Local sources	225,545	1,016,771	5,785,704	532,658	1,539,563	988,647	122,733	-
Intermediate sources	314,463	-	-	-	-	-	-	-
State sources	15,065,599	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	50,000	700,000	240,000	-	-	-	-
Other	4,629	-	-	-	-	-	-	-
Total receipts	<u>15,610,236</u>	<u>1,066,771</u>	<u>6,485,704</u>	<u>772,658</u>	<u>1,539,563</u>	<u>988,647</u>	<u>122,733</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	10,658,807	-	-	-	-	-	-	100,000
Support services	4,841,608	33,357	-	-	712,221	666,853	78,517	-
Noninstructional services	340,285	-	-	-	-	-	-	-
Facilities acquisition and construction	154,622	-	-	-	101,137	-	-	-
Debt services	2,893	910,094	3,869,179	503,759	290,681	140,619	44,546	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	50,000	700,000	100,000	-	-	-	-
Total disbursements	<u>15,998,215</u>	<u>993,451</u>	<u>4,569,179</u>	<u>603,759</u>	<u>1,104,039</u>	<u>807,472</u>	<u>123,063</u>	<u>100,000</u>
Excess (deficiency) of receipts over disbursements	<u>(387,979)</u>	<u>73,320</u>	<u>1,916,525</u>	<u>168,899</u>	<u>435,524</u>	<u>181,175</u>	<u>(330)</u>	<u>(100,000)</u>
Other financing sources (uses):								
Transfers in	38,295	-	-	-	200,000	-	-	-
Transfers out	-	-	-	-	(200,000)	-	-	-
Total other financing sources (uses)	<u>38,295</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>(349,684)</u>	<u>73,320</u>	<u>1,916,525</u>	<u>168,899</u>	<u>435,524</u>	<u>181,175</u>	<u>(330)</u>	<u>(100,000)</u>
Cash and investments - ending	<u>\$ 839,301</u>	<u>\$ 518,797</u>	<u>\$ 1,321,679</u>	<u>\$ 26,426</u>	<u>\$ 824,985</u>	<u>\$ 364,080</u>	<u>\$ 79,950</u>	<u>\$ 153,565</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Retirement/ Severance Bond	Beiriger Construction	School Lunch	Textbook Rental	Health Insurance Reserve	Alternative Education	Early Literacy Grant	High Ability Grant
Cash and investments - beginning	\$ 842,030	\$ 825,857	\$ 369,608	\$ 246,629	\$ 1,139,759	\$ -	\$ -	\$ 16,597
Receipts:								
Local sources	-	4,486	485,401	285,173	1,186,244	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	9,399	99,775	-	9,679	29,748	35,058
Federal sources	-	-	667,078	-	-	-	-	-
Interfund loans	-	-	-	-	850,000	-	-	-
Other	-	-	998	-	-	-	-	-
Total receipts	<u>-</u>	<u>4,486</u>	<u>1,162,876</u>	<u>384,948</u>	<u>2,036,244</u>	<u>9,679</u>	<u>29,748</u>	<u>35,058</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	509,406	9,679	-	30,507
Support services	-	-	1,692	433,768	-	-	29,748	-
Noninstructional services	-	-	1,202,661	-	-	-	-	-
Facilities acquisition and construction	-	241,325	8,049	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	990,000	-	-	-
Total disbursements	<u>-</u>	<u>241,325</u>	<u>1,212,402</u>	<u>433,768</u>	<u>1,499,406</u>	<u>9,679</u>	<u>29,748</u>	<u>30,507</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(236,839)</u>	<u>(49,526)</u>	<u>(48,820)</u>	<u>536,838</u>	<u>-</u>	<u>-</u>	<u>4,551</u>
Other financing sources (uses):								
Transfers in	-	-	-	136,112	-	-	-	-
Transfers out	-	-	-	(174,407)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(236,839)</u>	<u>(49,526)</u>	<u>(87,115)</u>	<u>536,838</u>	<u>-</u>	<u>-</u>	<u>4,551</u>
Cash and investments - ending	<u>\$ 842,030</u>	<u>\$ 589,018</u>	<u>\$ 320,082</u>	<u>\$ 159,514</u>	<u>\$ 1,676,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,148</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Common School Funds	Title One 2010-11	Title One 2011-12	Title One 2012-13	Assistive Technology	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ -	\$ 1,343	\$ -	\$ (3,309)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	25,989	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	4,594	4,193	327,315	-	-	-	-	-
Federal sources	-	-	-	91,645	330,776	-	69,914	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>4,594</u>	<u>30,182</u>	<u>327,315</u>	<u>91,645</u>	<u>330,776</u>	<u>-</u>	<u>69,914</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	4,594	-	-	74,530	290,623	-	-	-
Support services	-	31,525	326,760	-	8,928	-	69,914	-
Noninstructional services	-	-	-	13,806	40,919	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>4,594</u>	<u>31,525</u>	<u>326,760</u>	<u>88,336</u>	<u>340,470</u>	<u>-</u>	<u>69,914</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(1,343)</u>	<u>555</u>	<u>3,309</u>	<u>(9,694)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</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>-</u>	<u>(1,343)</u>	<u>555</u>	<u>3,309</u>	<u>(9,694)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ (9,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Reading First, No Child Left Behind	Title I - Grants to LEAs	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,500)	\$ 199,916	\$ 5,416,284
Receipts:								
Local sources	-	-	-	-	-	-	-	12,198,914
Intermediate sources	-	-	-	-	-	-	-	314,463
State sources	-	-	-	-	-	-	-	15,585,360
Federal sources	1,554	41,417	2,355	-	3,325	306,000	-	1,514,064
Interfund loans	-	-	-	-	-	-	-	1,840,000
Other	-	-	-	-	-	-	4,556,880	4,562,507
Total receipts	<u>1,554</u>	<u>41,417</u>	<u>2,355</u>	<u>-</u>	<u>3,325</u>	<u>306,000</u>	<u>4,556,880</u>	<u>36,015,308</u>
Disbursements:								
Current:								
Instruction	-	48,519	2,355	-	3,325	280,500	-	12,012,845
Support services	1,554	804	-	-	-	-	-	7,237,249
Noninstructional services	-	-	-	-	-	-	-	1,597,671
Facilities acquisition and construction	-	-	-	-	-	-	-	505,133
Debt services	-	-	-	-	-	-	-	5,761,771
Nonprogrammed charges	-	-	-	-	-	-	4,634,294	4,634,294
Interfund loans	-	-	-	-	-	-	-	1,840,000
Total disbursements	<u>1,554</u>	<u>49,323</u>	<u>2,355</u>	<u>-</u>	<u>3,325</u>	<u>280,500</u>	<u>4,634,294</u>	<u>33,588,963</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(7,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,500</u>	<u>(77,414)</u>	<u>2,426,345</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	374,407
Transfers out	-	-	-	-	-	-	-	(374,407)
Total other financing sources (uses)	<u>-</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>-</u>	<u>(7,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,500</u>	<u>(77,414)</u>	<u>2,426,345</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (7,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,502</u>	<u>\$ 7,842,629</u>

GRIFFITH PUBLIC SCHOOLS
 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	\$ 839,301	\$ 518,797	\$ 1,321,679	\$ 26,426	\$ 824,985	\$ 364,080	\$ 79,950	\$ 153,565
Receipts:								
Local sources	185,713	901,767	4,212,269	433,467	973,219	740,823	97,919	-
Intermediate sources	202,270	-	-	-	-	-	-	-
State sources	15,164,043	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	90,000	-	-	-	-
Other	6,173	-	-	-	-	-	-	-
Total receipts	<u>15,558,199</u>	<u>901,767</u>	<u>4,212,269</u>	<u>523,467</u>	<u>973,219</u>	<u>740,823</u>	<u>97,919</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	10,015,874	-	-	-	-	-	-	-
Support services	4,566,912	-	-	-	697,973	583,952	-	-
Noninstructional services	325,580	-	-	-	-	-	-	-
Facilities acquisition and construction	246,706	-	-	-	336,242	-	-	-
Debt services	2,628	1,005,497	3,879,351	408,247	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	140,000	-	-	-	-
Total disbursements	<u>15,157,700</u>	<u>1,005,497</u>	<u>3,879,351</u>	<u>548,247</u>	<u>1,034,215</u>	<u>583,952</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>400,499</u>	<u>(103,730)</u>	<u>332,918</u>	<u>(24,780)</u>	<u>(60,996)</u>	<u>156,871</u>	<u>97,919</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	3,000	-	-	-	287,717	-	-	250,000
Transfers out	-	-	-	-	(387,717)	(150,000)	-	-
Total other financing sources (uses)	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>250,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>403,499</u>	<u>(103,730)</u>	<u>332,918</u>	<u>(24,780)</u>	<u>(160,996)</u>	<u>6,871</u>	<u>97,919</u>	<u>250,000</u>
Cash and investments - ending	<u>\$ 1,242,800</u>	<u>\$ 415,067</u>	<u>\$ 1,654,597</u>	<u>\$ 1,646</u>	<u>\$ 663,989</u>	<u>\$ 370,951</u>	<u>\$ 177,869</u>	<u>\$ 403,565</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Retirement/ Severance Bond	Beiriger Construction	School Lunch	Textbook Rental	Health Insurance Reserve	Alternative Education	Early Literacy Grant	High Ability Grant
Cash and investments - beginning	\$ 842,030	\$ 589,018	\$ 320,082	\$ 159,514	\$ 1,676,597	\$ -	\$ -	\$ 21,148
Receipts:								
Local sources	-	-	449,658	269,738	7,701	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	10,954	94,591	-	10,956	-	34,224
Federal sources	-	-	664,290	-	-	-	-	-
Interfund loans	-	-	-	-	140,000	-	-	-
Other	-	-	933	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>1,125,835</u>	<u>364,329</u>	<u>147,701</u>	<u>10,956</u>	<u>-</u>	<u>34,224</u>
Disbursements:								
Current:								
Instruction	187,971	-	-	-	355,252	10,956	-	36,408
Support services	-	-	1,038	273,375	-	-	-	-
Noninstructional services	-	-	1,182,075	-	-	-	-	-
Facilities acquisition and construction	-	589,018	8,776	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	90,000	-	-	-
Total disbursements	<u>187,971</u>	<u>589,018</u>	<u>1,191,889</u>	<u>273,375</u>	<u>445,252</u>	<u>10,956</u>	<u>-</u>	<u>36,408</u>
Excess (deficiency) of receipts over disbursements	<u>(187,971)</u>	<u>(589,018)</u>	<u>(66,054)</u>	<u>90,954</u>	<u>(297,551)</u>	<u>-</u>	<u>-</u>	<u>(2,184)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(3,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(187,971)</u>	<u>(589,018)</u>	<u>(66,054)</u>	<u>90,954</u>	<u>(300,551)</u>	<u>-</u>	<u>-</u>	<u>(2,184)</u>
Cash and investments - ending	<u>\$ 654,059</u>	<u>\$ -</u>	<u>\$ 254,028</u>	<u>\$ 250,468</u>	<u>\$ 1,376,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,964</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Non-English Speaking Programs P.L. 273-1999	School Technology	Common School Funds	Title One 2010-11	Title One 2011-12	Title One 2012-13	Assistive Technology	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ -	\$ -	\$ 555	\$ -	\$ (9,694)	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	30,422	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	3,205	-	553,310	-	-	-	-	-
Federal sources	-	-	-	-	59,665	366,384	-	68,168
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>3,205</u>	<u>30,422</u>	<u>553,310</u>	<u>-</u>	<u>59,665</u>	<u>366,384</u>	<u>-</u>	<u>68,168</u>
Disbursements:								
Current:								
Instruction	3,205	-	-	-	33,148	215,482	-	-
Support services	-	29,895	553,865	-	-	159,072	-	68,168
Noninstructional services	-	-	-	-	16,823	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>3,205</u>	<u>29,895</u>	<u>553,865</u>	<u>-</u>	<u>49,971</u>	<u>374,554</u>	<u>-</u>	<u>68,168</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>527</u>	<u>(555)</u>	<u>-</u>	<u>9,694</u>	<u>(8,170)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</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>-</u>	<u>527</u>	<u>(555)</u>	<u>-</u>	<u>9,694</u>	<u>(8,170)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,170)</u>	<u>\$ -</u>	<u>\$ -</u>

GRIFFITH PUBLIC SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Reading First, No Child Left Behind	Title I - Grants to LEAs	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ -	\$ (7,906)	\$ -	\$ -	\$ -	\$ -	\$ 122,502	\$ 7,842,629
Receipts:								
Local sources	-	-	-	-	-	-	-	8,302,696
Intermediate sources	-	-	-	-	-	-	-	202,270
State sources	-	-	-	-	-	-	-	15,871,283
Federal sources	-	16,667	-	1,025	-	94,452	-	1,270,651
Interfund loans	-	-	-	-	-	-	-	230,000
Other	-	-	-	-	-	-	4,359,841	4,366,947
Total receipts	-	16,667	-	1,025	-	94,452	4,359,841	30,243,847
Disbursements:								
Current:								
Instruction	-	7,854	-	1,025	-	94,452	-	10,961,627
Support services	-	907	-	-	-	-	-	6,935,157
Noninstructional services	-	-	-	-	-	-	-	1,524,478
Facilities acquisition and construction	-	-	-	-	-	-	-	1,180,742
Debt services	-	-	-	-	-	-	-	5,295,723
Nonprogrammed charges	-	-	-	-	-	-	4,382,857	4,382,857
Interfund loans	-	-	-	-	-	-	-	230,000
Total disbursements	-	8,761	-	1,025	-	94,452	4,382,857	30,510,584
Excess (deficiency) of receipts over disbursements	-	7,906	-	-	-	-	(23,016)	(266,737)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	540,717
Transfers out	-	-	-	-	-	-	-	(540,717)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	7,906	-	-	-	-	(23,016)	(266,737)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,486	\$ 7,575,892

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital leases:				
Griffith Multi-School Building Corporation - ready refund, 2005	Building improvement	\$ 1,689,500	07-01-05	01-01-22
Griffith Multi-School Building Corporation - ready refund, 2008	Building improvement	579,000	12-31-08	12-31-16
Griffith Multi-School Building Corporation - Beiriger 2009	Building improvement	<u>463,500</u>	06-30-10	12-31-24
Total of annual lease payments*		<u>\$ 2,732,000</u>		

*Lease payments change year to year and these amounts reflect the annual lease payment due within the next year.

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
Notes and loans payable:				
	Veterans memorial loan (state)		\$ 271,700	\$ 31,460
	Common school loans (state)		12,611,135	1,820,146
General obligation bonds:				
	Pension bonds		<u>3,515,000</u>	<u>407,614</u>
Totals			<u>\$ 16,397,835</u>	<u>\$ 2,259,220</u>

GRIFFITH PUBLIC SCHOOLS
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.

	<u>Ending Balance</u>
Governmental activities:	
Buildings	\$ 73,522,060
Improvements other than buildings	746,010
Machinery, equipment, and vehicles	<u>2,926,595</u>
 Total capital assets	 <u>\$ 77,194,665</u>

GRIFFITH PUBLIC SCHOOLS
OTHER REPORT

The audit report presented herein was prepared in addition to the other official report prepared for the individual School Corporation school listed below:

Eldon Ready Elementary School

GRIFFITH PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS

COLLECTIVE BARGAINING AGREEMENT

Public Law 48-2011 was enacted on April 20, 2011, and created Indiana Code 20-29-6-4.7 that became effective upon passage of the law.

Article XXVII of the School Corporation's collective bargaining agreement presented for audit stated in part: "The agreement of the parties contained in this Agreement shall become effective April 28, 2011, and continue in effect until June 30, 2016 . . ." We have been informed by the School Corporation that the June 30, 2016 date stated in the agreement was a typographical error and the agreement will actually end on June 30, 2015. In addition, Article IX of the collective bargaining agreement described the procedures by which teachers would be evaluated.

Both the term of the collective bargaining agreement and the inclusion of teacher evaluation procedures are prohibited by Indiana Code 20-29-6-4.7.

Indiana Code 20-29-6-4.7 states:

"(a) A school employer may not bargain collectively with the exclusive representative on teacher evaluation procedures and criteria after this section has been enacted into law.

(b) A contract entered into between a school employer and an exclusive representative after this section has been enacted into law may not extend past the end of a state budget biennium."

CONDITION OF RECORDS (Applies to Griffith Middle-High School)

The School Corporation became aware in June 2013 that the new Middle-High School Extra-Curricular Treasurer (who began August 6, 2012) had not performed proper monthly bank reconciliements for the period of July 2012 through April 2013. The discrepancies in receipting, recording, and accounting for the financial activities were as follows:

1. Proper monthly bank reconciliements were not performed for July 2012 to April 2013. Once the Middle-High School Extra-Curricular Treasurer determined that the reconciliements were not performed, the reconciliements were completed in May 2013. The Extra-Curricular Treasurer determined, as a result of reconciling, that not all collections received and posted as credit card payments from July 31, August 1, and August 2, 2012, had been finalized and properly processed with the credit card company. This resulted in a bank short of \$9,778.50 for unprocessed credit card collections. The Extra-Curricular Treasurer identified the affected receipts, students, and type of collection and the unprocessed collections were added back to the students' accounts for collection. On November 25, 2013, letters were sent to the affected students in an attempt to collect the unprocessed credit card collections.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

GRIFFITH PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

2. As of June 30, 2012 and 2013, the Middle-High School had funds invested in certificate of deposits. Investment registers recording the activity of the certificate of deposits were not maintained.

The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 5)

3. The ability exists to record negative receipts and disbursements. Negative receipts were recorded to account for credit card fees assessed and nonsufficient funds (NSF) checks charged back to the schools bank account. Negative receipts of \$4,049.30 were recorded for school year 2012-2013.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

4. The accounting system controls do not ensure that the date, which appears on each receipt or check, is consistent with the transaction's receipt or disbursement date as recorded within the accounting system and each related report. Receipts and disbursements can be backdated into the prior month until the records are closed for that month. In May 2013, \$1,565.92 of receipts was back dated to the months of July 2012 through April 2013.

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 Extra-Curricular Accounts, Chapter 7)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, and that information is entered into the system only once. All information entered into the system must be authorized through effective manual or electronic controls. Transaction dates should be based upon system generated dates which cannot be modified by the user. If necessary, the system may provide an additional effective date of the transaction that is user controlled. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

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 GRIFFITH PUBLIC SCHOOLS, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Griffith Public Schools' (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.

Opinion on Each 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 each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

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 2013-003. 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.

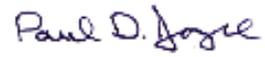
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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 2013-002 and 2013-004 to be material weaknesses.

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.

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

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

January 22, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

(This page intentionally left blank.)

GRIFFITH PUBLIC SCHOOLS
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>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012 FY 2013	\$ 132,229 -	\$ - 129,067
Total - School Breakfast Program				<u>132,229</u>	<u>129,067</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 2012 FY 2013	621,691 -	- 599,849
Total - National School Lunch Program				<u>621,691</u>	<u>599,849</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2012	11,031	-
Total - Child Nutrition Cluster				<u>764,951</u>	<u>728,916</u>
Total - Department of Agriculture				<u>764,951</u>	<u>728,916</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I, Grants to Local Educational Agencies	Indiana Department of Education	84.010			
2010-2011			11-4700	88,336	-
2011-2012			12-4700	340,470	49,971
2012-2013			13-4700	-	374,554
Total - Title I, Grants to Local Educational Agencies				<u>428,806</u>	<u>424,525</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389	Fund 7951	3,325	-
Total - Title I, Part A Cluster				<u>432,131</u>	<u>424,525</u>
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027	A58-2-12DL-0126 A58-3-13DL-0074	69,914 -	- 68,168
Total - Special Education Cluster				<u>69,914</u>	<u>68,168</u>
Career and Technical Education - Basic Grants to States	School City of Hammond	84.048	#13-4700-4710	-	1,025
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186	Fund 5800-10	1,554	-
English Language Acquisition Grants	Northwest Indiana Educational Service Center	84.365	LEP - 4700	2,355	-
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	2011-2012 2012-2013	49,323 -	7,854 907
Total - Improving Teacher Quality State Grants				<u>49,323</u>	<u>8,761</u>
Education Jobs Fund	Indiana Department of Education	84.410	Fund 7965 - 4700	280,500	94,452
Total - Department of Education				<u>835,777</u>	<u>596,931</u>
Total federal awards expended				<u>\$ 1,600,728</u>	<u>\$ 1,325,847</u>

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

GRIFFITH PUBLIC SCHOOLS
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 Griffith Public Schools (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 for the Child Nutrition Cluster. The federal award for the Child Nutrition Cluster is received on a reimbursement basis and 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
National School Lunch Program	10.555	\$ 79,028	\$ 77,065

GRIFFITH PUBLIC SCHOOLS
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
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	Name of Federal Program or Cluster
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 2013-001 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA, we noted the following errors:

1. The SEFA did not include expenditures for the Special Education Cluster or the Career and Technical Education grants. This resulted in the SEFA being understated by \$139,107.
2. Three of the grants on the schedule did not include the appropriate Catalog of Federal Domestic Assistance (CFDA) numbers relating to the programs.
3. Five of the grants on the schedule did not include the appropriate CFDA Program Titles relating to the programs when compared to the CFDA website and/or the A133 Compliance Supplement.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number: FY 2012, 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 to the programs. This includes the following compliance requirements: Eligibility, Reporting, and the Verification of Free and Reduced Price Applications (Special Tests and Provisions). 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 programs.

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 Technical Assistant/Secretary was 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.

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, an employee of Chartwells (the School Corporation's consultant over food service operations), was solely responsible for preparing and submitting all required reports. Segregation of duties, such as an oversight or approval process, has not been established.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 making sure proper oversight, reviews, and approvals take place and to have 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 to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the programs.

***FINDING 2013-003 - COMPLIANCE OVER REPORTING REQUIREMENTS
RELATED TO THE CHILD NUTRITION CLUSTER PROGRAMS***

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number: FY 2012, FY 2013
Pass-Through Entity: Indiana Department of Education

The School Corporation has a consulting agreement with Compass Group USA, Inc. (Chartwells) to oversee the School Corporation's food service operations. The Food Service Director, an employee of Chartwells, filed the required monthly claims for reimbursement and the Annual Financial Reports with the Indiana Department of Education for the Child Nutrition Cluster Programs.

The following deficiencies were noted:

Monthly Claim for Reimbursement:

The Indiana Department of Education requires school corporations to submit a monthly "Claim for Reimbursement" that includes the number of free, reduced price, and paid meals served to the eligible students and the number of snacks provided to students. The claim for reimbursement should be supported by the School Corporation's records for the number of free, reduced price, and paid meals served to eligible students and the number of snacks provided to students.

GRIFFITH PUBLIC SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

The School Corporation provides snacks for the afterschool care program held at the YMCA located in the former Franklin Elementary School building. Daily Snack Menu, Production, and Meal Count Records are maintained to record the production and number of students' serviced snacks. A computation of the monthly snack counts from the daily count records noted variances with the reported monthly snack counts. For the months tested, the School Corporation under reported the snack counts and did not receive \$2,449 in reimbursements for the snack program. The Daily Snack Menu, Production, and Meal Count Records were not available to audit for the months of March, April, May, September, October, and November 2012. Therefore, the snack counts reported for these months could not be verified.

Annual Financial Report:

The Annual Financial Report filed by the School Corporation for the fiscal years ending June 30, 2012 and 2013, did not agree with the School Corporation's financial records. The following table illustrates the variances between the Annual Financial Report filed with the Indiana Department of Education and the activity posted to the School Corporation's School Lunch Fund:

	Annual Financial Report	School Lunch Fund	Variance
	<u> </u>	<u> </u>	<u> </u>
July 1, 2011 cash balance	\$ 455,146	\$ 369,608	\$ 85,538
Annual receipts	1,142,549	1,162,876	(20,327)
Annual disbursements	<u>1,035,488</u>	<u>1,212,403</u>	<u>(176,915)</u>
June 30, 2012 cash balance	\$ 562,207	\$ 320,081	\$ 242,126
Annual receipts	1,036,772	1,125,836	(89,064)
Annual disbursements	<u>1,022,804</u>	<u>1,191,889</u>	<u>(169,085)</u>
June 30, 2013 cash balance	<u>\$ 576,175</u>	<u>\$ 254,028</u>	<u>\$ 322,147</u>

7 CFR 210.8(c) states:

"Content of claim. The Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the Report of School Program Operations required under §210.5(d) of this part. Such data shall include, at a minimum, the number of free, reduced price and paid lunches and meal supplements served to eligible children. The claim shall be signed by a school food authority official."

7 CFR 210.10(o) states:

"Afterschool snacks. Eligible schools operating afterschool care programs may be reimbursed for one afterschool snack served to a child (as defined in §210.2) per day."

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Noncompliance of the reporting requirement to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation officials ensure that all required reports are prepared on an accurate basis, in accordance with the reporting requirements and that all records are retained in accordance with retention requirements.

FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE EDUCATION JOBS FUND

Federal Agency: Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number: Fund 7965 - 4700
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 to the program. This includes the compliance requirements for Activities Allowed, Allowable Costs, Cash Management, Period of Availability, and Reporting. 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 program.

Activities Allowed, Allowable Costs, Period of Availability:

The School Corporation does not have procedures in place to verify that adjustments posted from the General Fund to the Education Jobs Fund to record the expenditures of grant funds were accurate. The Treasurer was solely responsible for preparing the adjustments recorded to the Education Jobs Fund without an oversight or approval process.

GRIFFITH PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management and Reporting:

The School Corporation does not have 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.

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 making sure proper oversight, reviews, and approvals take place and to have 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 to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



Griffith Public Schools

P.O. Box #749 602 N. Raymond St. Griffith, Indiana 46319-0749
Ph. 219.924.4250 Fax: 219.922.5933 www.griffith.k12.in.us

Board of School Trustees

John Dudlicek, President
Richard Muha, Second Vice President
Gerald Potacki, Assistant Secretary

Raymond White, First Vice President
Jennifer Dildine, Secretary
Rhett Tauber, Attorney

November 19, 2013

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2011-1, Internal Control over Allowable Costs

Fiscal Year: July 1, 2009 to June 30, 2011
Auditee Contact Person: Jeannette E. Bapst
Title of Contact Person: Assistant to the Superintendent
Phone Number: 219-924-4250

Status of Finding:

School district representatives have been careful to have the grant administrator verify that grant expenditures are within the acceptable parameters of grant guidelines.

Jeannette E. Bapst
Assistant to the Superintendent

Dr. Peter Morikis, Superintendent
Aron Borowiak, Director of Curriculum and Instruction
Kathy Carter, Superintendent's Secretary
Elaine Jelenski, Receptionist

Jeannette Bapst, Assistant to the Superintendent
Roberta Dragomer, Technology Director
Toni Loomis, Payroll Supervisor
Betty Schultz, Accounts Payable



Griffith Public Schools

P.O. Box #749 602 N. Raymond St. Griffith, Indiana 46319-0749
Ph. 219.924.4250 Fax: 219.922.5933 www.griffith.k12.in.us

Board of School Trustees

Raymond White, President
Jennifer Dildine, Second Vice President
John Dudlicek, Assistant Secretary
Richard Muha, First Vice President
Gerald Potacki, Secretary
Rhett Tauber, School Attorney

CORRECTIVE ACTION PLAN

Audit Period: JULY 1, 2011 to JUNE 30, 2013

FINDING 2013-001, Internal Control over the Preparation of the Schedule of Expenditures of Federal Awards

Federal Agency: Department of Education
Pass-Through Entity: Indiana Department of Education

The Griffith Public Schools will correct the internal controls over the preparation process for the Schedule of Expenditures of Federal Awards by preparing the Schedule in consideration of its status as a final, official document. It will be prepared by the school district treasurer and reviewed by a member of the clerical staff.

FINDING 2013-002, Internal controls over compliance requirements that have a direct and material effect on the Child Nutrition Cluster Programs

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award: FY2012, FY 2013
Pass-Through Entity: Indiana Department of Education

The Griffith Public Schools will correct the internal controls over compliance requirements of the Child Nutrition Cluster Programs:

- Eligibility and Verification of Free and Reduced Price Applications. The responsibility for eligibility determinations and verifications will be assigned to more than one individual in the administration office. Periodic random reviews will be conducted by the *secondary* staff member during the year, and the autumn verification process shall be conducted by the *secondary* staff member.
- Reporting. The school treasurer or treasurer designee shall review and approve all reports before they are submitted.

FINDING 2013-003, Compliance over reporting requirements related to the Child Nutrition Cluster

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award: FY2012, FY 2013

Pass-Through Entity: Indiana Department of Education

- Monthly Claim for Reimbursement. Formalizing the reporting process for snack counts from the afterschool care program at the YMCA has been implemented. Instead of a general email submission, the afterschool care director has been provided a form that must be submitted to foodservice daily. In addition, the school treasurer or treasurer designee shall review and approve all reimbursement reports before they are submitted.
- Annual Financial Report. The National School Lunch Program (NSLP) Annual Financial Report and the school district's financial records exhibited variances due to differences in the Food Service Management Company's reporting accounting period, the Food Service Management Company's posting errors, and because the value/expense of 'brown box' commodities was not properly recorded. The school district treasurer or treasurer designee will prepare NSLP financial reports in collaboration with the Food Service Management Company to ensure the report accurately represents school accounting records.

FINDING 2013-004, Internal controls over compliance requirements that have a direct and material effect on the Education Jobs Fund.

Federal Agency: Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

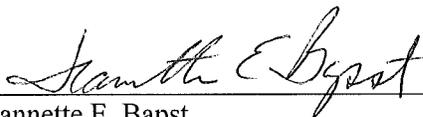
Federal Award: Fund 7965 - 4700

Pass-Through Entity: Indiana Department of Education

The Griffith Public Schools will correct the internal controls over future Education Jobs Fund awards:

- Activities Allowed, Allowable Costs, Period of Availability. Future expenditures from education jobs fund type programs shall be processed directly through the accounting and approval system in lieu of being processed as expenditure adjustments.
- Cash Management and Reporting. Future management and reporting of education jobs fund type programs shall include desegregation of duties, including but not limited to, a secondary staff member posting receipts.

Completion date of all corrective actions: February 1, 2014



Jeannette E. Bapst
Treasurer

GRIFFITH PUBLIC SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2014, with Jeannette E. Bapst, Treasurer; Dr. Peter Morikis, Superintendent of Schools; and Raymond White, President of the School Board.