

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL TOWN OF HIGHLAND
LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED

05/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance/Treasurer	Cynthia Adams	07-01-11 to 06-30-14
Superintendent of Schools	Michael Boskovich Brian Smith	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Lawrence Vassar Luanne Jurczak Carol Green-Fraley	07-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SCHOOL TOWN OF HIGHLAND, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the School Town of Highland (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 the 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 21, 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, 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 21, 2014



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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 SCHOOL TOWN OF HIGHLAND, 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 School Town of Highland (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 21, 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 items 2013-01 and 2013-02 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 items 2013-01 and 2013-02.

School Town of Highland's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

January 21, 2014

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FINANCIAL STATEMENT

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

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

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	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 918,662	\$ 19,422,800	\$ 17,796,479	\$ (11)	\$ 2,544,972	\$ 19,015,777	\$ 18,411,823	\$ (600,000)	\$ 2,548,926	
Debt Service	724,764	2,224,971	1,888,777	-	1,060,958	1,491,223	1,795,770	(26,267)	730,144	
Exempt Debt	887,957	6,131,220	4,534,938	-	2,484,239	4,411,596	4,570,499	-	2,325,336	
Exempt Retirement/Severance Bond Debt Reserve	60,394	321,764	223,614	-	158,544	70,325	71,001	-	157,868	
Capital Projects	767,650	4,353,470	3,771,355	-	1,349,765	4,074,268	3,657,789	(41,787)	1,724,457	
School Transportation	486,027	1,885,447	1,597,374	-	774,100	1,478,036	1,505,441	-	746,695	
School Bus Replacement	262,926	518,791	382,471	-	399,246	241,467	421,441	-	219,272	
Post-Retirement/Severance Future Benefits	266,342	7,256	273,598	-	-	-	4,415	600,000	595,585	
Construction	788,934	2,014	196,985	-	593,963	136	635,886	41,787	-	
GO Construction	268,461	4,221	167,554	-	105,128	7	105,135	-	-	
2012 Bond Construction	-	-	1,438,659	1,597,659	159,000	-	13,727	-	145,273	
School Lunch	1,329,272	1,268,144	1,635,656	-	961,760	1,327,451	1,195,433	-	1,093,778	
Textbook Rental	392,759	354,771	712,954	-	34,576	337,229	158,764	26,267	239,308	
Self-Insurance	3,315,222	2,979,264	2,637,595	-	3,656,891	2,656,397	2,973,066	-	3,340,222	
Special HA Discretionary Grant 12/13	-	-	-	-	-	7,888	6,875	-	1,013	
Pathfinders Alternative Education 10/11	(1,252)	20,706	19,454	-	-	-	-	-	-	
Pathfinders Alternative Education 11/12	-	200,000	132,560	-	67,440	-	30,189	(37,251)	-	
Child Care Program	(3,542)	141,173	100,521	-	37,110	123,885	96,975	-	64,020	
Alternative Education 10/11	5,823	-	5,823	-	-	-	-	-	-	
Alternative Education 11/12	-	24,064	24,064	-	-	-	-	-	-	
Alternative Education 12/13	-	-	-	-	-	190,268	151,531	37,251	75,988	
SAFE School Haven 12/13	-	-	-	-	-	10,000	10,000	-	-	
SAFE School Haven 11/12	-	15,000	15,000	-	-	-	-	-	-	
Project Case	3,463	-	-	-	3,463	-	1,740	-	1,723	
Project Resist	403	-	-	-	403	-	403	-	-	
Lowes Donation	2,099	-	-	-	2,099	-	-	-	2,099	
Home Depot Donation	7,069	-	230	-	6,839	-	797	-	6,042	
IN DOE Literacy	-	2,000	579	-	1,421	-	-	-	1,421	
Recreational Activities	-	989	1,000	11	-	-	-	-	-	
Mittal Donation	-	5,000	3,529	-	1,471	-	-	-	1,471	
High Ability Grant 10/11	5,420	-	5,420	-	-	-	6,713	-	(6,713)	
High Ability Grant 11/12	-	38,285	38,285	-	-	-	-	-	-	

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

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

- 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
High Ability Grant 12/13	-	-	-	-	-	37,162	37,250	-	(88)
Education Technology 12/13	-	-	-	-	-	314,000	338,168	-	(24,168)
Common School Fund 11/12	-	321,700	321,700	-	-	-	-	-	-
Common School Fund 12/13	-	177,070	195,822	-	(18,752)	144,630	125,878	-	-
Drug Free Communities	103	-	103	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999 09/10	-	-	-	-	-	10,558	10,558	-	-
Non-English Speaking Programs P.L. 273-2000 10/11	3,994	-	3,994	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-2001 11/12	-	12,512	12,512	-	-	-	-	-	-
School Technology	2,014	7,891	7,933	-	1,972	8,145	7,975	-	2,142
Area Career Center Mini-Grant 12/13	-	-	-	-	-	-	5,187	-	(5,187)
Area Career Center Mini-Grant 11/12	-	-	-	-	-	1,303	1,303	-	-
Title I - Grants to LEAs 10/11	(19,062)	73,699	54,637	-	-	-	-	-	-
Title I - Grants to LEAs 11/12	-	219,411	234,443	-	(15,032)	42,967	27,935	-	-
Title I - Grants to LEAs 12/13	-	-	-	-	-	250,592	265,573	-	(14,981)
IDEA 11/12	-	69,424	69,424	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants 12/13	-	-	68,449	-	(68,449)	69,998	1,549	-	-
Drug Free Schools 10/11	-	2,240	2,240	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2009-2011	(1,042)	1,078	36	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2010-2012	(10,982)	50,646	39,669	-	(5)	5	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2011-2013	-	49,901	57,129	-	(7,228)	23,230	16,002	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 2012-2014	-	-	-	-	-	48,011	56,323	-	(8,312)
Title III, Language Instruction 10/11	(3,296)	6,053	2,757	-	-	-	-	-	-
Title III, Language Instruction 11/12	-	18,698	19,470	-	(772)	772	-	-	-
Title III, Language Instruction 12/13	-	-	-	-	-	16,317	16,407	-	(90)
Title I - Grants to LEAs	(249)	56,940	56,691	-	-	-	-	-	-
Special Education - Part B	(5,040)	108,675	103,635	-	-	-	-	-	-
Education Jobs	-	558,024	588,566	-	(30,542)	66,060	35,518	-	-
Clearing Account	(8,604)	4,734,185	4,750,200	-	(24,619)	4,661,534	4,636,939	-	(24)
Totals	\$ 10,446,689	\$ 46,389,497	\$ 44,193,884	\$ 1,597,659	\$ 14,239,961	\$ 41,131,237	\$ 41,407,978	\$ -	\$ 13,963,220

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

SCHOOL TOWN OF HIGHLAND
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.

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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, and self-insurance payments.

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

F. Other Financing Sources and Uses

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

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:

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: health, dental, vision, and life insurance for administrators and classified staff members until the age of Medicare eligibility at the cost of a single plan at the time of retirement. The retiree will be responsible for any increases. Teachers with ten years of service prior to 2002 were provided a VEBA account to pay these postretirement benefits. Teachers hired after 2002 receive 1 percent of a Bachelors with zero years' experience annually while employed and receive no postretirement benefits. Life insurance is available for early retirees with decreases in value of 25 percent each at age 66, age 67, and age 68. The benefits terminate at age 70. 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.

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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.

SCHOOL TOWN OF HIGHLAND
 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 Reserve	Capital Projects	School Transportation	School Bus Replacement	Post Retirement/Severance Future Benefits	Construction
Cash and investments - beginning	\$ 918,662	\$ 724,764	\$ 887,957	\$ 60,394	\$ 767,650	\$ 486,027	\$ 262,926	\$ 266,342	\$ 788,934
Receipts:									
Local sources	478,480	1,601,971	5,227,220	250,764	2,936,470	1,350,447	273,791	-	2,014
Intermediate sources	415,187	-	-	-	-	-	-	-	-
State sources	18,529,133	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	623,000	904,000	71,000	1,417,000	535,000	245,000	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	7,256	-
Total receipts	19,422,800	2,224,971	6,131,220	321,764	4,353,470	1,885,447	518,791	7,256	2,014
Disbursements:									
Current:									
Instruction	10,980,436	-	-	-	-	-	-	-	-
Support services	6,479,402	-	-	-	1,093,687	971,887	183,097	273,598	-
Noninstructional services	336,641	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	1,029,130	-	-	-	196,985
Debt services	-	1,888,777	4,534,938	223,614	1,648,538	625,487	199,374	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	17,796,479	1,888,777	4,534,938	223,614	3,771,355	1,597,374	382,471	273,598	196,985
Excess (deficiency) of receipts over disbursements	1,626,321	336,194	1,596,282	98,150	582,115	288,073	136,320	(266,342)	(194,971)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(11)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(11)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,626,310	336,194	1,596,282	98,150	582,115	288,073	136,320	(266,342)	(194,971)
Cash and investments - ending	\$ 2,544,972	\$ 1,060,958	\$ 2,484,239	\$ 158,544	\$ 1,349,765	\$ 774,100	\$ 399,246	\$ -	\$ 593,963

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

	GO Construction	2012 Bond Construction	School Lunch	Textbook Rental	Self- Insurance	Special HA Discretionary Grant 12/13	Pathfinders Alternative Education 10/11	Pathfinders Alternative Education 11/12	Child Care Program
Cash and investments - beginning	\$ 268,461	\$ -	\$ 1,329,272	\$ 392,759	\$ 3,315,222	\$ -	\$ (1,252)	\$ -	\$ (3,542)
Receipts:									
Local sources	4,221	-	698,916	266,894	2,979,264	-	10,353	200,000	141,173
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	19,968	87,877	-	-	10,353	-	-
Federal sources	-	-	549,260	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>4,221</u>	<u>-</u>	<u>1,268,144</u>	<u>354,771</u>	<u>2,979,264</u>	<u>-</u>	<u>20,706</u>	<u>200,000</u>	<u>141,173</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	19,454	126,560	-
Support services	-	-	519,269	712,954	105,428	-	-	6,000	-
Noninstructional services	-	-	1,102,093	-	-	-	-	-	100,521
Facilities acquisition and construction	167,554	-	14,294	-	-	-	-	-	-
Debt services	-	1,438,659	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	2,532,167	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>167,554</u>	<u>1,438,659</u>	<u>1,635,656</u>	<u>712,954</u>	<u>2,637,595</u>	<u>-</u>	<u>19,454</u>	<u>132,560</u>	<u>100,521</u>
Excess (deficiency) of receipts over disbursements	<u>(163,333)</u>	<u>(1,438,659)</u>	<u>(367,512)</u>	<u>(358,183)</u>	<u>341,669</u>	<u>-</u>	<u>1,252</u>	<u>67,440</u>	<u>40,652</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	1,597,659	-	-	-	-	-	-	-
Transfers in	-	-	-	-	624,073	-	-	-	-
Transfers out	-	-	-	-	(624,073)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,597,659</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>(163,333)</u>	<u>159,000</u>	<u>(367,512)</u>	<u>(358,183)</u>	<u>341,669</u>	<u>-</u>	<u>1,252</u>	<u>67,440</u>	<u>40,652</u>
Cash and investments - ending	<u>\$ 105,128</u>	<u>\$ 159,000</u>	<u>\$ 961,760</u>	<u>\$ 34,576</u>	<u>\$ 3,656,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,440</u>	<u>\$ 37,110</u>

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

	Alternative Education 10/11	Alternative Education 11/12	Alternative Education 12/13	SAFE School Haven 12/13	SAFE School Haven 11/12	Project Case	Project Resist	Lowes Donation	Home Depot Donation
Cash and investments - beginning	\$ 5,823	\$ -	\$ -	\$ -	\$ -	\$ 3,463	\$ 403	\$ 2,099	\$ 7,069
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	24,064	-	-	-	-	-	-	-
Federal sources	-	-	-	-	15,000	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	24,064	-	-	15,000	-	-	-	-
Disbursements:									
Current:									
Instruction	5,823	24,064	-	-	15,000	-	-	-	230
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	5,823	24,064	-	-	15,000	-	-	-	230
Excess (deficiency) of receipts over disbursements	(5,823)	-	-	-	-	-	-	-	(230)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,823)	-	-	-	-	-	-	-	(230)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,463	\$ 403	\$ 2,099	\$ 6,839

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

	IN DOE Literacy	Recreational Activities	Mittal Donation	High Ability Grant 10/11	High Ability Grant 11/12	High Ability Grant 12/13	Education Technology 12/13	Common School Fund 11/12	Common School Fund 12/13
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 5,420	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	989	-	-	-	-	-	-	-
Intermediate sources	-	-	5,000	-	-	-	-	-	-
State sources	2,000	-	-	-	38,285	-	-	321,700	177,070
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>2,000</u>	<u>989</u>	<u>5,000</u>	<u>-</u>	<u>38,285</u>	<u>-</u>	<u>-</u>	<u>321,700</u>	<u>177,070</u>
Disbursements:									
Current:									
Instruction	-	-	-	5,421	38,285	-	-	-	-
Support services	579	1,000	3,529	(1)	-	-	-	321,700	195,822
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>579</u>	<u>1,000</u>	<u>3,529</u>	<u>5,420</u>	<u>38,285</u>	<u>-</u>	<u>-</u>	<u>321,700</u>	<u>195,822</u>
Excess (deficiency) of receipts over disbursements	<u>1,421</u>	<u>(11)</u>	<u>1,471</u>	<u>(5,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,752)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	11	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11</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>1,421</u>	<u>-</u>	<u>1,471</u>	<u>(5,420)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,752)</u>
Cash and investments - ending	<u>\$ 1,421</u>	<u>\$ -</u>	<u>\$ 1,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,752)</u>

SCHOOL TOWN OF HIGHLAND
 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 Communities	Non-English Speaking Programs P.L. 273-1999 09/10	Non-English Speaking Programs P.L. 273-2000 10/11	Non-English Speaking Programs P.L. 273-2001 11/12	School Technology	Area Career Center Mini-Grant 12/13	Area Career Center Mini-Grant 11/12	Title I Grants to LEAs 10/11	Title I Grants to LEAs 11/12
Cash and investments - beginning	\$ 103	\$ -	\$ 3,994	\$ -	\$ 2,014	\$ -	\$ -	\$ (19,062)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	7,891	-	-	-	-
Federal sources	-	-	-	12,512	-	-	-	73,699	219,411
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	12,512	7,891	-	-	73,699	219,411
Disbursements:									
Current:									
Instruction	103	-	3,994	12,512	-	-	-	52,205	220,331
Support services	-	-	-	-	7,933	-	-	1,673	14,112
Noninstructional services	-	-	-	-	-	-	-	759	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	103	-	3,994	12,512	7,933	-	-	54,637	234,443
Excess (deficiency) of receipts over disbursements	(103)	-	(3,994)	-	(42)	-	-	19,062	(15,032)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(103)	-	(3,994)	-	(42)	-	-	19,062	(15,032)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1,972	\$ -	\$ -	\$ -	\$ (15,032)

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

	Title I Grants to LEAs 12/13	IDEA 11/12	(IDEA, Part B) LEA Capacity Building (Sliver) Grants 12/13	Drug Free Schools 10/11	Improving Teaching Quality, No Child Left, Title II, Part A 2009-2011	Improving Teaching Quality, No Child Left, Title II, Part A 2010-2012	Improving Teaching Quality, No Child Left, Title II, Part A 2011-2013	Improving Teaching Quality, No Child Left, Title II, Part A 2012-2014
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (1,042)	\$ (10,982)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	69,424	-	2,240	1,078	50,646	49,901	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	69,424	-	2,240	1,078	50,646	49,901	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	32,768	48,792	-
Support services	-	69,424	68,449	2,240	36	6,901	8,337	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	69,424	68,449	2,240	36	39,669	57,129	-
Excess (deficiency) of receipts over disbursements	-	-	(68,449)	-	1,042	10,977	(7,228)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(68,449)	-	1,042	10,977	(7,228)	-
Cash and investments - ending	\$ -	\$ -	\$ (68,449)	\$ -	\$ -	\$ (5)	\$ (7,228)	\$ -

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

	Title III Language Instruction 10/11	Title III Language Instruction 11/12	Title III Language Instruction 12/13	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing Account	Totals
Cash and investments - beginning	\$ (3,296)	\$ -	\$ -	\$ (249)	\$ (5,040)	\$ -	\$ (8,604)	\$ 10,446,689
Receipts:								
Local sources	-	-	-	-	-	-	-	16,422,967
Intermediate sources	-	-	-	-	-	-	-	420,187
State sources	-	-	-	-	-	-	-	19,218,341
Federal sources	6,053	18,698	-	56,940	108,675	558,024	-	1,791,561
Temporary loans	-	-	-	-	-	-	-	3,795,000
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	4,734,185	4,741,441
Total receipts	<u>6,053</u>	<u>18,698</u>	<u>-</u>	<u>56,940</u>	<u>108,675</u>	<u>558,024</u>	<u>4,734,185</u>	<u>46,389,497</u>
Disbursements:								
Current:								
Instruction	2,757	19,470	-	55,903	103,635	588,566	-	12,356,309
Support services	-	-	-	788	-	-	-	11,047,844
Noninstructional services	-	-	-	-	-	-	-	1,540,014
Facilities acquisition and construction	-	-	-	-	-	-	-	1,407,963
Debt services	-	-	-	-	-	-	-	10,559,387
Nonprogrammed charges	-	-	-	-	-	-	4,750,200	7,282,367
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>2,757</u>	<u>19,470</u>	<u>-</u>	<u>56,691</u>	<u>103,635</u>	<u>588,566</u>	<u>4,750,200</u>	<u>44,193,884</u>
Excess (deficiency) of receipts over disbursements	<u>3,296</u>	<u>(772)</u>	<u>-</u>	<u>249</u>	<u>5,040</u>	<u>(30,542)</u>	<u>(16,015)</u>	<u>2,195,613</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	1,597,659
Transfers in	-	-	-	-	-	-	-	624,084
Transfers out	-	-	-	-	-	-	-	(624,084)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,597,659</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,296</u>	<u>(772)</u>	<u>-</u>	<u>249</u>	<u>5,040</u>	<u>(30,542)</u>	<u>(16,015)</u>	<u>3,793,272</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (772)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,542)</u>	<u>\$ (24,619)</u>	<u>\$ 14,239,961</u>

SCHOOL TOWN OF HIGHLAND
 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 Reserve	Capital Projects	School Transportation	School Bus Replacement	Post Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 2,544,972	\$ 1,060,958	\$ 2,484,239	\$ 158,544	\$ 1,349,765	\$ 774,100	\$ 399,246	\$ -	\$ 593,963
Receipts:									
Local sources	222,043	1,344,223	4,211,596	70,325	2,108,768	1,072,036	153,467	-	136
Intermediate sources	267,171	-	-	-	-	-	-	-	-
State sources	18,526,563	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	147,000	200,000	-	1,965,500	406,000	88,000	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>19,015,777</u>	<u>1,491,223</u>	<u>4,411,596</u>	<u>70,325</u>	<u>4,074,268</u>	<u>1,478,036</u>	<u>241,467</u>	<u>-</u>	<u>136</u>
Disbursements:									
Current:									
Instruction	11,820,586	-	-	-	-	-	-	-	-
Support services	6,260,479	-	-	-	1,250,543	970,441	176,441	4,415	1
Noninstructional services	330,758	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	990,246	-	-	-	635,885
Debt services	-	1,795,770	4,570,499	71,001	1,417,000	535,000	245,000	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>18,411,823</u>	<u>1,795,770</u>	<u>4,570,499</u>	<u>71,001</u>	<u>3,657,789</u>	<u>1,505,441</u>	<u>421,441</u>	<u>4,415</u>	<u>635,886</u>
Excess (deficiency) of receipts over disbursements	<u>603,954</u>	<u>(304,547)</u>	<u>(158,903)</u>	<u>(676)</u>	<u>416,479</u>	<u>(27,405)</u>	<u>(179,974)</u>	<u>(4,415)</u>	<u>(635,750)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	600,000	41,787
Transfers out	(600,000)	(26,267)	-	-	(41,787)	-	-	-	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>(26,267)</u>	<u>-</u>	<u>-</u>	<u>(41,787)</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>41,787</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,954</u>	<u>(330,814)</u>	<u>(158,903)</u>	<u>(676)</u>	<u>374,692</u>	<u>(27,405)</u>	<u>(179,974)</u>	<u>595,585</u>	<u>(593,963)</u>
Cash and investments - ending	<u>\$ 2,548,926</u>	<u>\$ 730,144</u>	<u>\$ 2,325,336</u>	<u>\$ 157,868</u>	<u>\$ 1,724,457</u>	<u>\$ 746,695</u>	<u>\$ 219,272</u>	<u>\$ 595,585</u>	<u>\$ -</u>

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

	GO Construction	2012 Bond Construction	School Lunch	Textbook Rental	Self- Insurance	Special HA Discretionary Grant 12/13	Pathfinders Alternative Education 10/11	Pathfinders Alternative Education 11/12	Child Care Program
Cash and investments - beginning	\$ 105,128	\$ 159,000	\$ 961,760	\$ 34,576	\$ 3,656,891	\$ -	\$ -	\$ 67,440	\$ 37,110
Receipts:									
Local sources	7	-	777,604	249,112	2,656,397	-	-	-	123,885
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	19,031	88,117	-	7,888	-	-	-
Federal sources	-	-	530,816	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>7</u>	<u>-</u>	<u>1,327,451</u>	<u>337,229</u>	<u>2,656,397</u>	<u>7,888</u>	<u>-</u>	<u>-</u>	<u>123,885</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	21,689	-
Support services	-	-	2,496	158,764	897,751	6,875	-	8,500	-
Noninstructional services	-	-	1,192,937	-	-	-	-	-	96,975
Facilities acquisition and construction	105,135	13,727	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	2,075,315	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>105,135</u>	<u>13,727</u>	<u>1,195,433</u>	<u>158,764</u>	<u>2,973,066</u>	<u>6,875</u>	<u>-</u>	<u>30,189</u>	<u>96,975</u>
Excess (deficiency) of receipts over disbursements	<u>(105,128)</u>	<u>(13,727)</u>	<u>132,018</u>	<u>178,465</u>	<u>(316,669)</u>	<u>1,013</u>	<u>-</u>	<u>(30,189)</u>	<u>26,910</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	482,989	26,267	-	-	-	-	-
Transfers out	-	-	(482,989)	-	-	-	-	(37,251)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,251)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(105,128)</u>	<u>(13,727)</u>	<u>132,018</u>	<u>204,732</u>	<u>(316,669)</u>	<u>1,013</u>	<u>-</u>	<u>(67,440)</u>	<u>26,910</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 145,273</u>	<u>\$ 1,093,778</u>	<u>\$ 239,308</u>	<u>\$ 3,340,222</u>	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,020</u>

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

	Alternative Education 10/11	Alternative Education 11/12	Alternative Education 12/13	SAFE School Haven 12/13	SAFE School Haven 11/12	Project Case	Project Resist	Lowes Donation	Home Depot Donation
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,463	\$ 403	\$ 2,099	\$ 6,839
Receipts:									
Local sources	-	-	162,749	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	27,519	-	-	-	-	-	-
Federal sources	-	-	-	10,000	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	190,268	10,000	-	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	145,531	10,000	-	-	-	-	797
Support services	-	-	6,000	-	-	1,740	403	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	151,531	10,000	-	1,740	403	-	797
Excess (deficiency) of receipts over disbursements	-	-	38,737	-	-	(1,740)	(403)	-	(797)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	37,251	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	37,251	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	75,988	-	-	(1,740)	(403)	-	(797)
Cash and investments - ending	\$ -	\$ -	\$ 75,988	\$ -	\$ -	\$ 1,723	\$ -	\$ 2,099	\$ 6,042

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

	IN DOE Literacy	Recreational Activities	Mittal Donation	High Ability Grant 10/11	High Ability Grant 11/12	High Ability Grant 12/13	Education Technology 12/13	Common School Fund 11/12	Common School Fund 12/13
Cash and investments - beginning	\$ 1,421	\$ -	\$ 1,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,752)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	37,162	314,000	-	144,630
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	37,162	314,000	-	144,630
Disbursements:									
Current:									
Instruction	-	-	-	-	-	37,163	-	-	-
Support services	-	-	-	6,713	-	87	338,168	-	125,878
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	6,713	-	37,250	338,168	-	125,878
Excess (deficiency) of receipts over disbursements	-	-	-	(6,713)	-	(88)	(24,168)	-	18,752
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(6,713)	-	(88)	(24,168)	-	18,752
Cash and investments - ending	\$ 1,421	\$ -	\$ 1,471	\$ (6,713)	\$ -	\$ (88)	\$ (24,168)	\$ -	\$ -

SCHOOL TOWN OF HIGHLAND
 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 Communities	Non-English Speaking Programs P.L. 273-1999 09/10	Non-English Speaking Programs P.L. 273-2000 10/11	Non-English Speaking Programs P.L. 273-2001 11/12	School Technology	Area Career Center Mini-Grant 12/13	Area Career Center Mini-Grant 11/12	Title I Grants to LEAs 10/11	Title I Grants to LEAs 11/12
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1,972	\$ -	\$ -	\$ -	\$ (15,032)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	8,145	-	-	-	-
Federal sources	-	10,558	-	-	-	-	1,303	-	42,967
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	10,558	-	-	8,145	-	1,303	-	42,967
Disbursements:									
Current:									
Instruction	-	10,558	-	-	-	-	1,303	-	26,200
Support services	-	-	-	-	7,975	5,187	-	-	1,735
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	10,558	-	-	7,975	5,187	1,303	-	27,935
Excess (deficiency) of receipts over disbursements	-	-	-	-	170	(5,187)	-	-	15,032
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	170	(5,187)	-	-	15,032
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 2,142	\$ (5,187)	\$ -	\$ -	\$ -

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

	Title I Grants to LEAs 12/13	IDEA 11/12	(IDEA, Part B) LEA Capacity Building (Sliver) Grants 12/13	Drug Free Schools 10/11	Improving Teaching Quality, No Child Left, Title II, Part A 2009-2011	Improving Teaching Quality, No Child Left, Title II, Part A 2010-2012	Improving Teaching Quality, No Child Left, Title II, Part A 2011-2013	Improving Teaching Quality, No Child Left, Title II, Part A 2012-2014
Cash and investments - beginning	\$ -	\$ -	\$ (68,449)	\$ -	\$ -	\$ (5)	\$ (7,228)	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	250,592	-	69,998	-	-	5	23,230	48,011
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>250,592</u>	<u>-</u>	<u>69,998</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>23,230</u>	<u>48,011</u>
Disbursements:								
Current:								
Instruction	254,871	-	-	-	-	-	11,074	40,474
Support services	9,692	-	1,549	-	-	-	4,928	15,849
Noninstructional services	1,010	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	<u>265,573</u>	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,002</u>	<u>56,323</u>
Excess (deficiency) of receipts over disbursements	<u>(14,981)</u>	<u>-</u>	<u>68,449</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>7,228</u>	<u>(8,312)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
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>(14,981)</u>	<u>-</u>	<u>68,449</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>7,228</u>	<u>(8,312)</u>
Cash and investments - ending	<u>\$ (14,981)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,312)</u>

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

	Title III Language Instruction 10/11	Title III Language Instruction 11/12	Title III Language Instruction 12/13	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ (772)	\$ -	\$ -	\$ -	\$ (30,542)	\$ (24,619)	\$ 14,239,961
Receipts:								
Local sources	-	-	-	-	-	-	-	13,152,348
Intermediate sources	-	-	-	-	-	-	-	267,171
State sources	-	-	-	-	-	-	-	19,173,055
Federal sources	-	772	16,317	-	-	66,060	-	1,070,629
Temporary loans	-	-	-	-	-	-	-	2,806,500
Interfund loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	4,661,534	4,661,534
Total receipts	-	772	16,317	-	-	66,060	4,661,534	41,131,237
Disbursements:								
Current:								
Instruction	-	-	16,407	-	-	35,518	-	12,432,171
Support services	-	-	-	-	-	-	-	10,262,610
Noninstructional services	-	-	-	-	-	-	-	1,621,680
Facilities acquisition and construction	-	-	-	-	-	-	-	1,744,993
Debt services	-	-	-	-	-	-	-	8,634,270
Nonprogrammed charges	-	-	-	-	-	-	4,636,939	6,712,254
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	16,407	-	-	35,518	4,636,939	41,407,978
Excess (deficiency) of receipts over disbursements	-	772	(90)	-	-	30,542	24,595	(276,741)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,188,294
Transfers out	-	-	-	-	-	-	-	(1,188,294)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	772	(90)	-	-	30,542	24,595	(276,741)
Cash and investments - ending	\$ -	\$ -	\$ (90)	\$ -	\$ -	\$ -	\$ (24)	\$ 13,963,220

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SCHOOL TOWN OF HIGHLAND, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the School Town of Highland's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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 2013-04. 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 2013-03 and 2013-05 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 21, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 68,226	\$ 56,689
National School Lunch Program	10.555		573,761	576,255
Total for federal grantor agency			641,987	632,944
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-4720	56,690	-
Title I Grants to Local Educational Agencies	84.010	11-4720 12-4720 13-4720	54,637 234,443 -	- 27,936 265,573
Total for program			289,080	293,509
Total for cluster			345,770	293,509
Pass-Through Indiana Department of Education Special Education Cluster				
ARRA - Special Education Grants to States, Recovery Act	84.391	33310-SN01-0004	103,634	-
Special Education - Grants to States	84.027	11-4720 12-4720	69,424 68,449	- 1,549
Total for program			137,873	1,549
Total for cluster			241,507	1,549
Pass-Through Indiana Department of Education Career and Technical Education - Basic Grants to States	84.048	Project Lead the Way	-	5,187

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

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through School City of Hammond Career and Technical Education - Basic Grants to States	84.048	Pathways/Tech Prep	-	1,303
Total for program			-	6,490
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	09-4720	2,240	-
Total for program			2,240	-
Pass-Through Indiana Department of Education English Language Acquisition State Grants	84.365	10/11 - 4720	2,758	-
		11/12 - 4720	19,471	-
		12/13 - 4720	-	16,407
Total for program			22,229	16,407
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	09-4720	36	-
		10-4720	39,669	-
		11-4720	57,129	16,002
		12-4720	-	56,323
Total for program			96,834	72,325
Pass-Through Indiana Department of Education Education Jobs Fund	84.410	4720	588,566	35,518
Total for federal grantor agency			1,297,146	425,798
Total federal awards expended			<u>\$ 1,939,133</u>	<u>\$ 1,058,742</u>

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

SCHOOL TOWN OF HIGHLAND
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 School Town of Highland (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 School Breakfast and National School Lunch Programs. In those two instances, the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Note 2. Noncash Assistance

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

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program (Commodities)	10.555	\$ 92,727	\$ 102,128

SCHOOL TOWN OF HIGHLAND
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 2013-01 - CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the fund balances to the bank accounts indicated a cash necessary to balance (cash short in the bank) of \$3,798.97 as of June 30, 2013. Review of preceding months' reconciliations showed the cash necessary to balance amount had remained consistent since November 2012. However, it is unknown when the last time the School Corporation's main bank account was properly reconciled.

The cash necessary to balance amount has been an ongoing issue for the main bank account. The discrepancy was a result of numerous reconciling items dating back to the former Bookkeeper. Many issues were due to outstanding checks that had previously cleared the bank, yet the checks remained on the outstanding checks list as reconciling items.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The bank reconciliations were performed by the Bookkeeper and reviewed by the Director of Finance. A review of the bank reconciliations showed that they lack any documentation that they had been reviewed by the Director of Finance.

The lack of evidence of the review of the bank reconciliations is considered a material weakness in controls over the financial records and reports.

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 Indiana Public School Corporations, Chapter 9)

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."

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)

FINDING 2013-02 - MATERIAL ERRORS ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal controls 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. We believe this lack of internal controls constitutes a material weakness.

The School Corporation omitted reporting the Special Education Grants to States expenditures in the amount of \$137,873 and \$1,549 for the school years ended June 30, 2012 and 2013, respectively. Furthermore, the School Corporation used an incorrect Catalog of Federal Domestic Assistance (CFDA) for the Education Jobs Fund Grant, and recorded a program name which was not consistent with the grant name listed in the CFDA for two grants (English Language Acquisition State Grants, and Improving Teacher Quality State Grants). Additionally, the Education Jobs Fund Grant was incorrectly identified as ARRA.

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

Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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.
- (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."

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-03 - INTERNAL CONTROLS OVER PROCUREMENT, SUSPENSION, AND DEBARMENT, PROGRAM INCOME, REPORTING, AND SPECIAL TESTS AND PROVISIONS – CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
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: Procurement, Suspension, and Debarment; Program Income; Reporting; and Special Tests and Provisions - Verification of Free/Reduced Applications and Lunch Fund Accounts. 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.

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. We believe the following deficiencies in internal controls are material weaknesses.

Procurement, Suspension, and Debarment

The School Corporation relies on a consultant from a Purchasing Cooperative to perform Procurement activities and to verify compliance with Suspension and Debarment requirements. The Food Service Director (Director) evaluates the consultant's recommended vendors for bread and milk/dairy products based on product availability and past performance. Upon the Director's approval, the Purchasing Cooperative Board approves the winning awards. Procurement of a third party purchasing service for other food products, materials, and supplies is approved only by the Cooperative Board. There is no local School Corporation oversight or approval of the Director's decisions or the consultant's responsibilities.

Program Income

Each school collects money for student breakfast and lunch, adult breakfast and lunch, and a la carte items via a computer system and cash register. At the end of the day, in order to reconcile the cash registers, each individual working a register must print a report from the computer system. The report details the collections that should be in the respective register. The employees are required to complete a worksheet detailing their collections. A second employee is required to verify the information on that worksheet. Two of the schools in the School Corporation failed to retain those worksheets used to balance the cash registers; thus, evidence supporting implementation of controls was not available for testing.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Reporting

An appropriate internal control structure, including segregation of duties, should include multiple employees reviewing all reimbursement requests or applicable reports submitted to the awarding entity. Inquiry of School Corporation Officials indicated that one employee was responsible for preparing all reimbursement requests and financial reports. No other employee at the School Corporation reviewed the reports prior to submission.

Verification of Free/Reduced Applications

The Assistant Food Service Director approves the original applications submitted based on income information and household size. The Assistant Food Service Director also sends out request letters and approves the returned verification of income for the 3 percent verification process. The Food Service Director and the Assistant Food Service Director verbally discuss any problems with the verification process. However, there is no documentation of any segregation of duties in the verification of free and reduced lunch status. The verification of income and continued eligibility should be approved by someone other than the person who approved the original application.

Lunch Fund Accounts

The Food Service Director maintains a manual ledger for the National School Lunch Program and reconciles it to the food service bank account. The School Corporation records the school lunch activity in the School Corporation's fund accounting software in the School Lunch fund (#800). The School Corporation Treasurer reconciles the School Lunch fund (#800) in the electronic accounting records to the bank and to the manual ledger balance; however, controls have not been established to ensure that the School Corporation followed state guidelines regarding the recording of student prepaid "monies on account." Currently, the "monies on account" are part of the School Lunch fund (#800) and not accounted for in a separate fund, Prepaid Food, as directed by state regulations.

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 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.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

**FINDING 2013-04 - COMPLIANCE OVER CHILD NUTRITION CLUSTER,
SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS**

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Pass-Through Entity: Indiana Department of Education

In the accounting records, School Corporation Officials have comingled the activity of the school lunch program and prepaid food on account activity into the School Lunch fund (fund #800). Prepaid Food, a clearing account (fund #8400), has not yet been established by the School Corporation. This fund is to be used to account for monies received from students for the prepayment of meals. The money is to be deposited and held on account in the Prepaid Food fund until the student purchases a meal. Upon purchasing a meal, the monies are then transferred to the School Lunch fund and included in sales. The "Meal Time" software used by the School Corporation, tracks the money held on account and does not count the receipt of money on account as sales, until the student purchases and is served the meal. The "Meal Time" software has the capability and does maintain individual student balances on account. At June 30, 2012 and 2013, student's prepaid food "money on account" balances totaled \$11,566.03 and \$12,501.68, respectively.

The Meal Time software is an independent software program used in the school lunch program that does not interface with the School Corporation's accounting software (RDS). Officials independently input the monthly school lunch receipts and disbursements into the RDS accounting system. Currently, School Corporation Officials combine the receipts for school lunch sales and prepaid money received on account as total deposits (receipts) into the School Lunch fund (#800). Separate funds should be used to record the receipts and activity for school lunch and prepaid food as described above. The "money on account" balances noted above are included in the reported School Lunch fund balances of \$961,760 and \$1,093,778, at June 30, 2012 and 2013, respectively. Therefore, the School Lunch fund balance is overstated by \$11,566.03 and \$12,501.68, respectively.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, Volume 183, page 3, September 2008)

7 CFR 210.14 states in part:

"(a) . . . School food authorities shall maintain a nonprofit school food service. . . ."

(b) . . . The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State Agency . . ."

We recommended that officials establish the Prepaid Food fund and separate the activity of the School Lunch fund and the Prepaid Food fund according to state guidelines.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-05 - INTERNAL CONTROLS OVER ACTIVITIES ALLOWED/ALLOWABLE COSTS, CASH MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING, SPECIAL TESTS (COMPARABILITY REPORT) - EDUCATION JOBS FUND

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

Federal Award Number and Year (or Other Identifying Number): 4720; 2011-2012, 2012-2013

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 all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed/Allowable Costs; Cash Management; Level of Effort; Period of Availability; Reporting; and Special Tests and Provisions - Comparability Report. 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 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.

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. We believe the following deficiencies in internal controls are material weaknesses.

Activities Allowed/Allowable Costs/Period of Availability

The Education Jobs Fund grant was used entirely for payroll. As part of the internal control structure, the School Corporation should have someone familiar with the grant requirements, including types of expenditures allowed under the grant agreement and the period of availability of funds, approving the expenditures charged to the grant. Upon inquiry of the School Corporation Officials, we determined that no one familiar with the grant requirements was signing and approving the grant expenditures.

Level of Effort

One of the School Corporation's responsibilities was to ensure accurate reporting of financial information to the Indiana Department of Education (IDOE). The School Corporation could not provide visible documentation that the financial information reported to IDOE had been reviewed for accuracy. The School Corporation failed to retain the reports used to verify the financial information. It is based upon the financial information reported by the School Corporation to the IDOE that the IDOE calculates and ensures that the School Corporation is maintaining the appropriate level of effort.

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management/Reporting/Special Tests and Provisions - Comparability Report

An appropriate internal control structure, including segregation of duties, should include multiple employees reviewing all reimbursement requests and other applicable reports submitted to the awarding entity. The inquiry of the School Corporation Officials revealed that one employee was responsible for preparing all reimbursement requests, financial reports, and comparability reports. No other employee at the School Corporation reviewed the reports prior to submission.

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. Non-compliance 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.

SCHOOL TOWN OF HIGHLAND

9145 Kennedy Avenue, Highland, Indiana 46322
(219) 924-7400 FAX (219) 922-5637

Administration

Brian Smith, Superintendent
Sherri Mitchell, Director
Cindy Adams, Director

Board of Trustees

Luanne Jurczak, President
Carol Green-Fraleay, Vice President
Lawrence M. Vassar, Secretary
Robert Kuva, Member
Patrick Krull, Member

October 15, 2013

Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, Indiana 46204-2765

RE: Summary Schedule of Prior Audit Findings:

Dear Sir or Madam:

The School Town of Highland had a Federal Award Finding during the last audit of July 1, 2009 through June 30, 2011 indicating that the Food Services Secretary did not properly verify the current free and reduced price eligibility of households from a sample of applications approved for free or reduced price meals. The finding also indicated that the Food Service Director did not review the verification process.

The prior Food Service Secretary improperly used the 'net wages' rather than the "gross wages" as the basis for income verification for the free and reduced application test sample. The new Food Service Secretary has been trained to use the "gross wages" as directed by statute.

The Food Service Director now reviews each of the test samples that have been completed by the Food Services Secretary to insure the accuracy of the data and the eligibility of the individual within the income guidelines, and the proper classification of pay, free, or reduced.

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer

SCHOOL TOWN OF HIGHLAND

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Patrick Krull, Vice President
Luanne Jurczak, Secretary
Robert Kuva, Member
Carlos Aburto, Member

FINDING 2013-01, CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Audited Contact Person: Cynthia Adams
Title of Contact Person: Treasurer/Director of Finance & Operations
Phone Number: 219-924-7400 x7231

Briefly describe action to be taken to correct finding:

In the previous audit of July 1, 2009 to June 30, 2011, it was discovered that an electronic deposit of \$15,000 was never receipted into the corporation's accounting software until it was discovered in 2011. As a result, the bank statements were not in balance nor were they \$15,000 short. Under further investigation, we discovered payroll checks that had cleared the bank were still classified as outstanding checks. In addition, many regular general fund expenditures had been charged to the clearing accounts with no supporting revenues to offset it. These errors date back to the former bookkeeper. After a full investigation, we determined that the cash necessary to balance is \$3,798.97 which is the cash short in bank. The identifiable corrections were made and this amount remained constant on the bank reconciliations since November 2012.

After conferring with the Auditor, it was determined that the best course of action is to reduce the balance in the RDS financial software to match the bank balance, as it was determined that the bank balance is the correct balance. In addition, the Treasurer is reviewing and signing the bank reconciliations each month.

Signed:


Cynthia Adams, Director of Finance & Operations

Date: January 20, 2014

SCHOOL TOWN OF HIGHLAND

9145 Kennedy Avenue, Highland, Indiana 46322
(219) 924-7400 FAX (219) 922-5637

Administration

Brian Smith, Superintendent
Sherri Mitchell, Director
Cynthia Adams, Director

Board of Trustees

Carol Green-Fraleay, President
Patrick Krull, Vice President
Luanne Jurczak, Secretary
Robert Kuva, Member
Carlos Aburto, Member

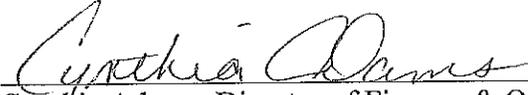
FINDING 2013-02, MATERIAL ERRORS ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

Audited Contact Person: Cynthia Adams
Title of Contact Person: Treasurer/Director of Finance & Operations
Phone Number: 219-924-7400 x7231

Briefly describe action to be taken to correct finding:

The Treasurer of the School Town of Highland was in a hurry to provide this information to the Auditor and forgot to include a \$70,000 Special Education Improvement Grant that was active for only two months. The Auditor brought it to her attention and she apologized for the oversight and asked him to add it to the report. In the past, this report was never treated as an official report by the Auditors and if there was something forgotten, then it was added after being reviewed by the Auditor with no recourse.

In order to prevent this situation from reoccurring, the Treasurer will be take more time in preparing the schedule and ensure the accuracy of this now official report.

Signed: 
Cynthia Adams, Director of Finance & Operations

Date: January 20, 2014

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FINDING 2013-03, INTERNAL CONTROLS OVER PROCUREMENT, SUSPENSION, AND DEBARMENT, PROGRAM INCOME, REPORTING, AND SPECIAL TESTS AND PROVISIONS – CHILD NUTRITION CLUSTER

Audited Contact Person: Cynthia Adams
Title of Contact Person: Treasurer/Director of Finance & Operations
Phone Number: 219-924-7400 x7231

Briefly describe action to be taken to correct finding:

Procurement, Suspension, and Debarment:

The Food Service Department is a member of the Northwest Indiana Educational Service Center and participates in the purchasing cooperative. Each school corporation has a representative that sits on the executive board and approves all bids for the service center. The local school board has never approved individual bids, because they approved the membership in the NWIESC for the cooperative purchasing aspect.

In order to prevent this situation from reoccurring, the School Town of Highland will request board approval for cooperative purchasing agreements through the NWIESC.

Program Income:

Two of the schools failed to retain cash balancing worksheet that details their daily collections. The employees have been advised that retaining these worksheets is a requirement.

Reporting:

The Food Service Manager prepares on-line federal reimbursement requests. No signature was required. The Auditor has advised the Food Service Manager to print, sign and obtain the Deputy Treasure's signature on these requests. The School Town of Highland will comply with this directive.

Verification of Free/Reduced Applications:

The Assistant Food Service Manager prepares the verification of income on the free/reduced lunch applications. She signs the verification. The Food Service Manager will sign in addition as directed in the audit.

Lunch Fund Accounts:

Currently the student prepaid "monies on account" are recorded as revenue to the school lunch fund when they are received. The School Town of Highland operates on a cash basis of accounting rather than an accrual basis of accounting. The cash basis of accounting recognizes revenues and expenditures when they are received or disbursed rather than when they are earned.

While the School Town of Highland disagrees based on the cash basis of accounting, we will comply with the audit request and will implement this process as soon as possible.

Signed: 
Cynthia Adams, Director of Finance & Operations

Date: January 20, 2014

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FINDING 2013-04, COMPLIANCE OVER CHILD NUTRITION CLUSTER, SPECIAL TESTS AND PROVISIONS – SCHOOL FUND ACCOUNTS

Audited Contact Person: Cynthia Adams
Title of Contact Person: Treasurer/Director of Finance & Operations
Phone Number: 219-924-7400 x7231

Briefly describe action to be taken to correct finding:

Currently the student prepaid “monies on account” are recorded as revenue to the school lunch fund when they are received. The School Town of Highland operates on a cash basis of accounting rather than an accrual basis of accounting. The cash basis of accounting recognizes revenues and expenditures when they are received or disbursed rather than when they are earned.

While the School Town of Highland disagrees based on the cash basis of accounting, we will comply with the audit request. We will receipt the prepaid funds in the clearing account number 8410 and will transfer the funds from clearing account number 8420 when the student spends the funds.

Signed: 
Cynthia Adams, Director of Finance & Operations

Date: January 20, 2014

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FINDING 2013-05, INTERNAL CONTROLS OVER ACTIVITIES ALLOWED/ALLOWABLE COSTS, CASH MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING, SPECIAL TESTS (COMPARABILITY REPORT) – EDUCATION JOBS

Audited Contact Person: Cynthia Adams
Title of Contact Person: Treasurer/Director of Finance & Operations
Phone Number: 219-924-7400 x7231

Briefly describe action to be taken to correct finding:

Activities Allowed/Allowable Costs/ Period of Availability:

The School Town of Highland Administrative Team met often and planned the expenditures for the Education Jobs Grant. The payroll expenditures were itemized on an Excel spreadsheet and presented to the Auditor. As explained by the Auditor, the problem was the signature of the appropriate official on the payroll total sheet. A summary total sheet is printed after each payroll summarizing the payroll charges incurred. The Superintendent along with all five Board Members signed this required document after each payroll. The Auditor directed the School Corporation Treasurer sign the document instead of the Superintendent. We will comply with this directive.

Level of Effort:

This item refers to the Form 9, Biannual Financial Report. The Treasurer runs the computer generated Form 9 report and compares it to other computer generated financial reports including the cash, revenue and expenditure reports to ensure the accuracy of the data. There were physical check marks on the computer generated Form 9 report on file, but the multiple page other financial reports had been disposed of, due to their size and the fact that they are readily available in the computer. The Treasurer will now keep the computer generated financial reports as directed in the audit.

Cash Management, Reporting, Special Tests (Comparability Report)

The Treasurer prepares and signs the state reimbursement requests that require one signature on the form. She then forwards a copy to the Deputy Treasurer who receipts the funds when they are received. The Auditor directed us to have multiple signatures on this form. We will comply with this directive and the Treasurer will ask the Director of Curriculum to sign these reports as well. This was implemented when the Auditor was here. Similarly, the Director of Curriculum, will have the Treasurer sign off on the Comparability Report too.

Signed: 
Cynthia Adams, Director of Finance & Operations

Date: January 20, 2014

SCHOOL TOWN OF HIGHLAND
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2014, with Brian Smith, Superintendent of Schools; Cynthia Adams, Director of Finance/Treasurer; and Carol Green-Fraley, President of the School Board.