

**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, 2013 to June 30, 2015



**FILED**  
06/14/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia Adams	07-01-13 to 06-30-17
Superintendent of Schools	Brian Smith	07-01-13 to 06-30-17
President of the School Board	Luanne Jurczak	01-01-13 to 12-31-13
	Carol Green-Fraley	01-01-14 to 12-31-14
	Patrick Krull	01-01-15 to 12-31-15
	Luanne Jurczak	01-01-16 to 12-31-16
	Robert Kuva	01-01-17 to 12-31-17



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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, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 to 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, 2013 to June 30, 2015.

***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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*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.


*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 20, 2017, 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.

  
Paul D. Joyce, CPA  
State Examiner

April 20, 2017



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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, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated April 20, 2017, 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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

**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

April 20, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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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, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 2,548,926	\$ 19,468,965	\$ 18,878,274	\$ -	\$ 3,139,617	\$ 19,427,963	\$ 19,217,204	\$ -	\$ 3,350,376
Debt Service	730,144	1,797,148	1,108,175	(59,202)	1,359,915	1,110,441	1,571,080	(43,706)	855,570
Exempt Debt	2,325,336	4,476,433	4,224,500	-	2,577,269	4,562,826	4,293,000	-	2,847,095
Exempt Retirement/Severance Bond Debt Service	157,868	-	-	-	157,868	-	-	-	157,868
Capital Projects	1,724,457	3,353,263	4,125,694	-	952,026	3,096,982	2,731,620	-	1,317,388
School Transportation	746,695	1,513,145	1,417,180	-	842,660	1,553,768	1,394,516	-	1,001,912
School Bus Replacement	219,272	246,213	278,220	-	187,265	399,540	331,024	-	255,781
Post-Retirement/Severance Future Benefits	595,585	-	147,945	-	447,640	-	126,840	-	320,800
G.O. Construction of 2015	-	-	-	-	-	-	109,396	1,990,000	1,880,604
2012 Bond Construction	145,273	-	145,273	-	-	-	-	-	-
School Lunch	1,093,778	1,435,909	1,281,734	-	1,247,953	1,360,884	1,585,484	-	1,023,353
Textbook Rental	239,308	328,154	296,222	59,202	330,442	362,958	219,314	43,706	517,792
Self-Insurance	3,340,222	2,698,637	2,984,417	-	3,054,442	2,914,383	2,580,351	-	3,388,474
Child Care Program	64,020	128,815	114,840	-	77,995	133,139	111,008	-	100,126
Alternative Education 2012/2013 SY	75,988	-	29,324	(46,664)	-	-	-	-	-
Alternative Education 2013/2014 SY	-	190,056	148,304	46,664	88,416	-	33,105	(55,311)	-
Alternative Education 2014/2015 SY	-	-	-	-	-	187,569	143,769	55,311	99,111
SAFE School Haven 2013/2014 SY	-	7,000	7,000	-	-	-	-	-	-
SAFE School Haven 2014/2015 SY	-	-	-	-	-	10,000	10,000	-	-
Early Intervention Grant	-	9,179	9,179	-	-	-	-	-	-
Early Intervention Grant 2015	-	-	-	-	-	-	1,500	-	(1,500)
Project Case	1,723	-	1,200	-	523	-	523	-	-
Lowes Donation	2,099	-	-	-	2,099	-	-	-	2,099
Home Depot Donation	6,042	-	618	-	5,424	-	-	-	5,424
IN DOE Literacy	1,421	-	483	-	938	-	-	-	938
Mittal Donation	1,471	-	1,278	-	193	-	193	-	-
High Ability Grant 2012/2013 SY	(5,788)	5,788	-	-	-	-	-	-	-
High Ability Grant 2013/2014 SY	-	36,137	36,137	-	-	-	-	-	-
High Ability Grant 2014/2015 SY	-	-	-	-	-	36,708	36,708	-	-
Education Technology (3195)	(24,168)	314,000	289,832	-	-	-	-	-	-
Education Technology (3196)	-	305,100	305,100	-	-	-	-	-	-
Education Technology (3197)	-	-	48,259	-	(48,259)	305,100	256,841	-	-
Education Technology (3198)	-	-	-	-	-	299,000	299,000	-	-
Education Technology (3199)	-	-	-	-	-	167,438	167,438	-	-
Secured Schools Safety Grant	-	-	-	-	-	100,000	100,000	-	-
Non-English Speaking Programs P.L. 273-1999 (3714)	-	8,632	8,632	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999 (3715)	-	-	-	-	-	9,253	9,253	-	-
School Technology	2,142	8,141	8,145	-	2,138	8,019	8,010	-	2,147
Workforce Development - PLTW (3905)	(5,187)	15,467	14,863	-	(4,583)	4,219	(364)	-	-
Senator David Ford Technology	-	9,891	10,087	-	(196)	16,862	16,666	-	-
Title I - Grants to LEAs 12/13 (4112)	(14,981)	91,424	76,443	-	-	-	-	-	-
Title I - Grants to LEAs 13/14 (4113)	-	212,728	236,430	-	(23,702)	65,278	41,576	-	-
Title I - Grants to LEAs 14/15 (4114)	-	-	-	-	-	291,101	312,344	-	(21,243)
Title II Part A Improving Teacher Quality (6843)	(8,312)	25,120	16,808	-	-	-	-	-	-
Title II Part A Improving Teacher Quality (6844)	-	41,380	48,585	-	(7,205)	25,852	18,647	-	-
Title II Part A Improving Teacher Quality (6845)	-	-	-	-	-	63,126	64,676	-	(1,550)
Title III - Language Instruction 12/13 (6882)	(90)	90	-	-	-	-	-	-	-
Title III - Language Instruction 13/14 (6883)	-	14,156	14,156	-	-	199	199	-	-
Title III - Language Instruction 14/15 (6884)	-	-	-	-	-	15,832	17,202	-	(1,370)
Clearing Accounts (Fund 8100)	(24)	4,818,189	4,818,165	-	-	4,482,437	4,482,437	-	-
Food Service Clearing Account (Fund 8400)	-	33,326	19,118	-	14,208	37,154	35,696	-	15,666
<b>Totals</b>	<b>\$ 13,963,220</b>	<b>\$ 41,592,486</b>	<b>\$ 41,150,620</b>	<b>\$ -</b>	<b>\$ 14,405,086</b>	<b>\$ 41,048,031</b>	<b>\$ 40,326,256</b>	<b>\$ 1,990,000</b>	<b>\$ 17,116,861</b>

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, the following: 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.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SCHOOL TOWN OF HIGHLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: 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.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt services.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

SCHOOL TOWN OF HIGHLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Proceeds of long-term debt.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

*Transfers in.* Amounts 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.* Amounts 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

SCHOOL TOWN OF HIGHLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *Deposits and Investments***

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: 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 a cost-sharing 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  
One North Capitol, 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  
One North Capitol, 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.

SCHOOL TOWN OF HIGHLAND  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. *Holding Corporation***

The School Corporation entered into capital leases with the Highland School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2014 and 2015, totaled \$4,024,500 and \$4,025,000, respectively.

**Note 9. *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.

**Note 10. *Combined Funds***

Funds related to the Special HA Discretionary Grant 12/13, High Ability Grant 10/11, and High Ability Grant 12/13 were reported individually in the prior financial statement, but were combined and reported as the High Ability Grant 2012/2013 SY for the current financial statement.

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## OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports 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 other 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, 2014

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Post-Retirement/ Severance Future Benefits	G.O. Construction of 2015
Cash and investments - beginning	\$ 2,548,926	\$ 730,144	\$ 2,325,336	\$ 157,868	\$ 1,724,457	\$ 746,695	\$ 219,272	\$ 595,585	\$ -
Receipts:									
Local sources	213,641	1,262,148	4,208,433	-	2,319,263	1,171,145	202,213	-	-
Intermediate sources	276,396	-	-	-	-	-	-	-	-
State sources	18,978,904	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	535,000	268,000	-	1,034,000	342,000	44,000	-	-
Other receipts	24	-	-	-	-	-	-	-	-
Total receipts	19,468,965	1,797,148	4,476,433	-	3,353,263	1,513,145	246,213	-	-
Disbursements:									
Instruction	12,161,300	-	-	-	-	-	-	-	-
Support services	6,354,724	-	-	-	1,360,452	1,011,180	190,220	147,945	-
Noninstructional services	362,226	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	910,242	-	-	-	-
Debt services	-	1,108,175	4,224,500	-	1,855,000	406,000	88,000	-	-
Nonprogrammed charges	24	-	-	-	-	-	-	-	-
Total disbursements	18,878,274	1,108,175	4,224,500	-	4,125,694	1,417,180	278,220	147,945	-
Excess (deficiency) of receipts over disbursements	590,691	688,973	251,933	-	(772,431)	95,965	(32,007)	(147,945)	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(59,202)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(59,202)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	590,691	629,771	251,933	-	(772,431)	95,965	(32,007)	(147,945)	-
Cash and investments - ending	\$ 3,139,617	\$ 1,359,915	\$ 2,577,269	\$ 157,868	\$ 952,026	\$ 842,660	\$ 187,265	\$ 447,640	\$ -

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, 2014  
 (Continued)

	2012 Bond Construction	School Lunch	Textbook Rental	Self- Insurance	Child Care Program	Alternative Education 2012/2013 SY	Alternative Education 2013/2014 SY	Alternative Education 2014/2015 SY	SAFE School Haven 2013/2014 SY
Cash and investments - beginning	\$ 145,273	\$ 1,093,778	\$ 239,308	\$ 3,340,222	\$ 64,020	\$ 75,988	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	730,947	239,530	2,698,637	128,815	-	153,336	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	18,765	88,624	-	-	-	36,720	-	-
Federal sources	-	685,904	-	-	-	-	-	-	7,000
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	293	-	-	-	-	-	-	-
Total receipts	-	1,435,909	328,154	2,698,637	128,815	-	190,056	-	7,000
Disbursements:									
Instruction	-	-	-	-	-	27,781	140,852	-	7,000
Support services	-	35,366	296,222	2,982,977	-	1,543	7,452	-	-
Noninstructional services	-	1,229,534	-	-	114,840	-	-	-	-
Facilities acquisition and construction	145,273	16,834	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,440	-	-	-	-	-
Total disbursements	145,273	1,281,734	296,222	2,984,417	114,840	29,324	148,304	-	7,000
Excess (deficiency) of receipts over disbursements	(145,273)	154,175	31,932	(285,780)	13,975	(29,324)	41,752	-	-
Other financing sources (uses):									
Transfers in	-	320,425	59,202	-	-	-	46,664	-	-
Transfers out	-	(320,425)	-	-	-	(46,664)	-	-	-
Total other financing sources (uses)	-	-	59,202	-	-	(46,664)	46,664	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(145,273)	154,175	91,134	(285,780)	13,975	(75,988)	88,416	-	-
Cash and investments - ending	\$ -	\$ 1,247,953	\$ 330,442	\$ 3,054,442	\$ 77,995	\$ -	\$ 88,416	\$ -	\$ -

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, 2014  
 (Continued)

	SAFE School Haven 2014/2015 SY	Early Intervention Grant	Early Intervention Grant 2015	Project Case	Lowes Donation	Home Depot Donation	IN DOE Literacy	Mittal Donation	High Ability Grant 2012/2013 SY
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,723	\$ 2,099	\$ 6,042	\$ 1,421	\$ 1,471	\$ (5,788)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	9,179	-	-	-	-	-	-	5,788
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	9,179	-	-	-	-	-	-	5,788
Disbursements:									
Instruction	-	-	-	-	-	618	-	-	-
Support services	-	9,179	-	1,200	-	-	483	1,278	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	9,179	-	1,200	-	618	483	1,278	-
Excess (deficiency) of receipts over disbursements	-	-	-	(1,200)	-	(618)	(483)	(1,278)	5,788
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(1,200)	-	(618)	(483)	(1,278)	5,788
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 523	\$ 2,099	\$ 5,424	\$ 938	\$ 193	\$ -

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, 2014  
 (Continued)

	High Ability Grant 2013/2014 SY	High Ability Grant 2014/2015 SY	Education Technology (3195)	Education Technology (3196)	Education Technology (3197)	Education Technology (3198)	Education Technology (3199)	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 (3714)
Cash and investments - beginning	\$ -	\$ -	\$ (24,168)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	36,137	-	314,000	305,100	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	8,632
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>36,137</u>	<u>-</u>	<u>314,000</u>	<u>305,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,632</u>
Disbursements:									
Instruction	36,137	-	-	-	-	-	-	-	8,632
Support services	-	-	289,832	305,100	48,259	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>36,137</u>	<u>-</u>	<u>289,832</u>	<u>305,100</u>	<u>48,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,632</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>24,168</u>	<u>-</u>	<u>(48,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>24,168</u>	<u>-</u>	<u>(48,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,259)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014  
 (Continued)

	Non-English Speaking Programs P.L. 273-1999 (3715)	School Technology	Workforce Development - PLTW (3905)	Senator David Ford Technology	Title I - Grants to LEAs 12/13 (4112)	Title I - Grants to LEAs 13/14 (4113)	Title I - Grants to LEAs 14/15 (4114)	Title II Part A Improving Teacher Quality (6843)
Cash and investments - beginning	\$ -	\$ 2,142	\$ (5,187)	\$ -	\$ (14,981)	\$ -	\$ -	\$ (8,312)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	8,141	-	9,891	-	-	-	-
Federal sources	-	-	15,467	-	91,424	212,728	-	25,120
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	8,141	15,467	9,891	91,424	212,728	-	25,120
Disbursements:								
Instruction	-	-	-	-	67,354	220,955	-	12,486
Support services	-	8,145	14,863	10,087	9,089	12,703	-	4,322
Noninstructional services	-	-	-	-	-	2,772	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	8,145	14,863	10,087	76,443	236,430	-	16,808
Excess (deficiency) of receipts over disbursements	-	(4)	604	(196)	14,981	(23,702)	-	8,312
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4)	604	(196)	14,981	(23,702)	-	8,312
Cash and investments - ending	\$ -	\$ 2,138	\$ (4,583)	\$ (196)	\$ -	\$ (23,702)	\$ -	\$ -

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, 2014  
 (Continued)

	Title II Part A Improving Teacher Quality (6844)	Title II Part A Improving Teacher Quality (6845)	Title III - Language Instruction 12/13 (6882)	Title III - Language Instruction 13/14 (6883)	Title III - Language Instruction 14/15 (6884)	Clearing Accounts (Fund 8100)	Food Service Clearing Account (Fund 8400)	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (90)	\$ -	\$ -	\$ (24)	\$ -	\$ 13,963,220
Receipts:								
Local sources	-	-	-	-	-	-	-	13,328,108
Intermediate sources	-	-	-	-	-	-	-	276,396
State sources	-	-	-	-	-	-	-	19,811,249
Federal sources	41,380	-	90	14,156	-	-	-	1,101,901
Temporary loans	-	-	-	-	-	-	-	2,223,000
Other receipts	-	-	-	-	-	4,818,189	33,326	4,851,832
Total receipts	41,380	-	90	14,156	-	4,818,189	33,326	41,592,486
Disbursements:								
Instruction	29,253	-	-	14,046	-	-	-	12,726,414
Support services	19,332	-	-	110	-	-	-	13,122,063
Noninstructional services	-	-	-	-	-	-	-	1,709,372
Facilities acquisition and construction	-	-	-	-	-	-	-	1,072,349
Debt services	-	-	-	-	-	-	-	7,681,675
Nonprogrammed charges	-	-	-	-	-	4,818,165	19,118	4,838,747
Total disbursements	48,585	-	-	14,156	-	4,818,165	19,118	41,150,620
Excess (deficiency) of receipts over disbursements	(7,205)	-	90	-	-	24	14,208	441,866
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	426,291
Transfers out	-	-	-	-	-	-	-	(426,291)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,205)	-	90	-	-	24	14,208	441,866
Cash and investments - ending	\$ (7,205)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,208	\$ 14,405,086

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, 2015

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Post-Retirement/ Severance Future Benefits	G.O. Construction of 2015
Cash and investments - beginning	\$ 3,139,617	\$ 1,359,915	\$ 2,577,269	\$ 157,868	\$ 952,026	\$ 842,660	\$ 187,265	\$ 447,640	\$ -
Receipts:									
Local sources	196,603	1,110,441	3,892,826	-	2,118,479	1,119,078	262,540	-	-
Intermediate sources	321,312	-	-	-	-	-	-	-	-
State sources	18,910,023	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	670,000	-	977,000	431,000	137,000	-	-
Other receipts	25	-	-	-	1,503	3,690	-	-	-
Total receipts	19,427,963	1,110,441	4,562,826	-	3,096,982	1,553,768	399,540	-	-
Disbursements:									
Instruction	12,431,809	-	-	-	-	-	-	-	-
Support services	6,449,463	-	-	-	1,307,613	1,052,516	287,024	126,840	-
Noninstructional services	335,932	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	390,007	-	-	-	109,396
Debt services	-	1,571,080	4,293,000	-	1,034,000	342,000	44,000	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	19,217,204	1,571,080	4,293,000	-	2,731,620	1,394,516	331,024	126,840	109,396
Excess (deficiency) of receipts over disbursements	210,759	(460,639)	269,826	-	365,362	159,252	68,516	(126,840)	(109,396)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,990,000
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(43,706)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(43,706)	-	-	-	-	-	-	1,990,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	210,759	(504,345)	269,826	-	365,362	159,252	68,516	(126,840)	1,880,604
Cash and investments - ending	\$ 3,350,376	\$ 855,570	\$ 2,847,095	\$ 157,868	\$ 1,317,388	\$ 1,001,912	\$ 255,781	\$ 320,800	\$ 1,880,604

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, 2015  
 (Continued)

	2012 Bond Construction	School Lunch	Textbook Rental	Self- Insurance	Child Care Program	Alternative Education 2012/2013 SY	Alternative Education 2013/2014 SY	Alternative Education 2014/2015 SY	SAFE School Haven 2013/2014 SY
Cash and investments - beginning	\$ -	\$ 1,247,953	\$ 330,442	\$ 3,054,442	\$ 77,995	\$ -	\$ 88,416	\$ -	\$ -
Receipts:									
Local sources	-	694,099	278,442	2,914,383	133,139	-	-	144,689	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	19,206	84,516	-	-	-	-	42,880	-
Federal sources	-	647,403	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	176	-	-	-	-	-	-	-
Total receipts	-	1,360,884	362,958	2,914,383	133,139	-	-	187,569	-
Disbursements:									
Instruction	-	-	-	-	-	-	27,105	143,769	-
Support services	-	409,960	219,314	1,360,013	-	-	6,000	-	-
Noninstructional services	-	1,169,167	-	-	111,008	-	-	-	-
Facilities acquisition and construction	-	6,357	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,220,338	-	-	-	-	-
Total disbursements	-	1,585,484	219,314	2,580,351	111,008	-	33,105	143,769	-
Excess (deficiency) of receipts over disbursements	-	(224,600)	143,644	334,032	22,131	-	(33,105)	43,800	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	43,706	-	-	-	-	55,311	-
Transfers out	-	-	-	-	-	-	(55,311)	-	-
Total other financing sources (uses)	-	-	43,706	-	-	-	(55,311)	55,311	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(224,600)	187,350	334,032	22,131	-	(88,416)	99,111	-
Cash and investments - ending	\$ -	\$ 1,023,353	\$ 517,792	\$ 3,388,474	\$ 100,126	\$ -	\$ -	\$ 99,111	\$ -

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, 2015  
 (Continued)

	SAFE School Haven 2014/2015 SY	Early Intervention Grant	Early Intervention Grant 2015	Project Case	Lowes Donation	Home Depot Donation	IN DOE Literacy	Mittal Donation	High Ability Grant 2012/2013 SY
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 523	\$ 2,099	\$ 5,424	\$ 938	\$ 193	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	10,000	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	10,000	-	-	-	-	-	-	-	-
Disbursements:									
Instruction	10,000	-	-	-	-	-	-	-	-
Support services	-	-	1,500	523	-	-	-	193	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,000	-	1,500	523	-	-	-	193	-
Excess (deficiency) of receipts over disbursements	-	-	(1,500)	(523)	-	-	-	(193)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,500)	(523)	-	-	-	(193)	-
Cash and investments - ending	\$ -	\$ -	\$ (1,500)	\$ -	\$ 2,099	\$ 5,424	\$ 938	\$ -	\$ -

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, 2015  
 (Continued)

	High Ability Grant 2013/2014 SY	High Ability Grant 2014/2015 SY	Education Technology (3195)	Education Technology (3196)	Education Technology (3197)	Education Technology (3198)	Education Technology (3199)	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 (3714)
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (48,259)	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	36,708	-	-	305,100	299,000	167,438	100,000	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	36,708	-	-	305,100	299,000	167,438	100,000	-
Disbursements:									
Instruction	-	36,708	-	-	-	-	-	-	-
Support services	-	-	-	-	256,841	295,425	167,438	100,000	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	3,575	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	36,708	-	-	256,841	299,000	167,438	100,000	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	48,259	-	-	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	48,259	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2015  
 (Continued)

	Non-English Speaking Programs P.L. 273-1999 (3715)	School Technology	Workforce Development - PLTW (3905)	Senator David Ford Technology	Title I - Grants to LEAs 12/13 (4112)	Title I - Grants to LEAs 13/14 (4113)	Title I - Grants to LEAs 14/15 (4114)	Title II Part A Improving Teacher Quality (6843)
Cash and investments - beginning	\$ -	\$ 2,138	\$ (4,583)	\$ (196)	\$ -	\$ (23,702)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	8,019	-	16,862	-	-	-	-
Federal sources	9,253	-	4,219	-	-	65,278	291,101	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	9,253	8,019	4,219	16,862	-	65,278	291,101	-
Disbursements:								
Instruction	9,253	-	-	-	-	42,028	294,071	-
Support services	-	8,010	(364)	16,666	-	-	16,663	-
Noninstructional services	-	-	-	-	-	(452)	1,610	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	9,253	8,010	(364)	16,666	-	41,576	312,344	-
Excess (deficiency) of receipts over disbursements	-	9	4,583	196	-	23,702	(21,243)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	9	4,583	196	-	23,702	(21,243)	-
Cash and investments - ending	\$ -	\$ 2,147	\$ -	\$ -	\$ -	\$ -	\$ (21,243)	\$ -

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, 2015  
 (Continued)

	Title II Part A Improving Teacher Quality (6844)	Title II Part A Improving Teacher Quality (6845)	Title III - Language Instruction 12/13 (6882)	Title III - Language Instruction 13/14 (6883)	Title III - Language Instruction 14/15 (6884)	Clearing Accounts (Fund 8100)	Food Service Clearing Account (Fund 8400)	Totals
Cash and investments - beginning	\$ (7,205)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,208	\$ 14,405,086
Receipts:								
Local sources	-	-	-	-	-	-	-	12,864,719
Intermediate sources	-	-	-	-	-	-	-	321,312
State sources	-	-	-	-	-	-	-	19,989,752
Federal sources	25,852	63,126	-	199	15,832	-	-	1,132,263
Temporary loans	-	-	-	-	-	-	-	2,215,000
Other receipts	-	-	-	-	-	4,482,437	37,154	4,524,985
Total receipts	25,852	63,126	-	199	15,832	4,482,437	37,154	41,048,031
Disbursements:								
Instruction	13,452	51,814	-	123	16,866	-	-	13,076,998
Support services	5,195	12,862	-	76	336	-	-	12,100,107
Noninstructional services	-	-	-	-	-	-	-	1,617,265
Facilities acquisition and construction	-	-	-	-	-	-	-	509,335
Debt services	-	-	-	-	-	-	-	7,284,080
Nonprogrammed charges	-	-	-	-	-	4,482,437	35,696	5,738,471
Total disbursements	18,647	64,676	-	199	17,202	4,482,437	35,696	40,326,256
Excess (deficiency) of receipts over disbursements	7,205	(1,550)	-	-	(1,370)	-	1,458	721,775
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,990,000
Transfers in	-	-	-	-	-	-	-	99,017
Transfers out	-	-	-	-	-	-	-	(99,017)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,990,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,205	(1,550)	-	-	(1,370)	-	1,458	2,711,775
Cash and investments - ending	\$ -	\$ (1,550)	\$ -	\$ -	\$ (1,370)	\$ -	\$ 15,666	\$ 17,116,861

SCHOOL TOWN OF HIGHLAND  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,705,873</u>	<u>\$ 25,663</u>

SCHOOL TOWN OF HIGHLAND  
SCHEDULE OF LEASES AND DEBT  
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Highland School Building Corporation	2008 Various Roof and Improvement Projects	\$ 1,341,143	01/15/2009	01/15/2022
Highland School Building Corporation	2012 Various Roof and Improvement Projects	178,131	07/15/2012	01/15/2023
Highland School Building Corporation	2013 Various Roof and Improvement Projects	<u>3,321,000</u>	06/30/2013	06/30/2020
Total of annual lease payments		<u>\$ 4,840,274</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Renovation & Equipping school buildings & administration building	\$ 1,055,000	\$ 436,165
General obligation bonds	Renovation, improvements and equipment for High/Middle Schools and Transportation Building	2,000,000	69,183
Notes and loans payable	Common School Loans for Technology	<u>1,673,900</u>	<u>453,387</u>
Totals		<u>\$ 4,728,900</u>	<u>\$ 958,735</u>

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SCHOOL TOWN OF HIGHLAND  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2015

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 744,620
Buildings	101,166,833
Improvements other than buildings	527,104
Machinery, equipment, and vehicles	<u>7,198,628</u>
Total capital assets	<u><u>\$ 109,637,185</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2013 to June 30, 2015. 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, 2013 to June 30, 2015.

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 items 2015-003 and 2015-004. 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**

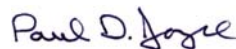
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 a 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 2015-002, 2015-003, 2015-004, and 2015-005 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.

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

SCHOOL TOWN OF HIGHLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program							
Indiana Department of Education							
10.553							
School Breakfast							
FY2014							
FY2015							
School Breakfast							
FY2014							
FY2015							
Total - School Breakfast Program							
Indiana Department of Education							
10.555							
National School Lunch Program							
School Lunch							
FY2014							
FY2015							
School Lunch							
FY2014							
FY2015							
School Lunch-Commodities							
FY2014							
FY2015							
School Lunch-Commodities							
FY2014							
FY2015							
Total - National School Lunch Program							
Total - Child Nutrition Cluster							
Total - Department of Agriculture							
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
Indiana Department of Education							
84.027							
Technical Assistance for Special Education							
99914-047-TA01							
IDEA Part B Section 611							
14213-047-PN01							
IDEA Part B Section 611							
14214-047-PN01							
IDEA Part B Section 611							
14215-047-PN01							
Total - Special Education_Grants to States							
Special Education_Preschool Grants							
Indiana Department of Education							
84.173							
IDEA Part B Section 619							
45713-047-PN01							
IDEA Part B Section 619							
45714-047-PN01							
IDEA Part B Section 619							
45715-047-PN01							
Total - Special Education_Preschool Grants							
Total - Special Education Cluster (IDEA)							
Title I Grants to Local Educational Agencies							
Indiana Department of Education							
84.010							
Title I (13-4720)							
FY 2013							
Title I (14-4720)							
FY 2014							
Title I (15-4720)							
FY 2015							
Total - Title I Grants to Local Educational Agencies							
Career and Technical Education -- Basic Grants to States							
School City of Hammond							
84.048							
Area Career Center Project Lead the Way Grant							
ACTED 2							
Total - Career and Technical Education -- Basic Grants to States							
English Language Acquisition State Grants							
Indiana Department of Education							
84.365							
Title III (12/13-4720)							
FY 2013							
Title III (13/14-4720)							
FY 2014							
Title III (14/15-4720)							
FY 2015							
Total - English Language Acquisition State Grants							
Improving Teacher Quality State Grants							
Indiana Department of Education							
84.367							
Title II Part A (12-4720)							
FY 2013							
Title II Part A (13-4720)							
FY 2014							
Title II Part A (14/15 - 4720)							
FY 2015							
Total - Improving Teacher Quality State Grants							
Total - Department of Education							
Total federal awards expended				\$ -	\$ 1,796,056	\$ -	\$ 1,831,094

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency 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
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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 2015-001 - INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS**

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions.

1. Receipts: The School Corporation had not separated incompatible activities related to receipts. One employee recorded receipts, created the deposits, took the deposits to the bank, and reconciled the bank balances to the ledger balances.

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

2. Vendor Disbursements:
  - a. Accounts payable vouchers were processed and paid without proper verification of the receipt of goods and/or services by the School Corporation.
  - b. All accounts payable vouchers were posted and all checks were printed prior to allowance by the Governing Board.
3. Payroll Disbursements: The School Corporation stated that they had a process each pay period that one employee inputted the payroll information and another employee compared the trial payroll run to other supporting documentation to ensure accuracy. However, this review process was not documented.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(2) the invoice or bill is approved by the officer or person receiving the goods and services; . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal control.

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

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. Additionally, the failure to establish controls allowed noncompliance relating to vendor disbursements to occur.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2015-002 - INTERNAL CONTROLS OVER EQUIPMENT, REPORTING,  
AND SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015  
Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

*Equipment*

The School Corporation had adopted written policies and procedures for the acquisition, disposal, and capitalization of capital assets; however, documented procedures ensuring that equipment was inventoried properly on the capital asset listing were not provided.

*Reporting - Annual Financial Report (AFR) and Verification Summary Report*

School Corporation officials indicated that one employee was responsible for preparing and submitting the AFR. Procedures were not in place to ensure that the AFR was accurate prior to submission.

The School Food Authority (SFA) Verification Collection Report did not have evidence of segregation of duties for the fiscal year 2014-2015.

*Special Tests and Provisions - Paid Lunch Equity - National School Lunch Program Only*

School Corporation officials indicated that the Paid Lunch Equity calculations were performed and submitted by one employee. Procedures were not in place to ensure accuracy of the calculations performed.

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

*Context*

Two AFRs, one School Food Authority (SFA) Verification Collection Report, Paid Lunch Equity calculations, and the acquisition, disposal, and capitalization of capital assets did not have evidence of a control.

*Criteria*

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. . . ."

*Cause*

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Equipment, Reporting, and Special Tests and Procedures - Paid Lunch Equity compliance requirements.

*Effect*

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Equipment, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-003 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

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

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management requirement that they limit their net cash resources in the School Lunch fund to an amount that did not exceed three months average expenditures for its nonprofit school food service.

*Context*

The balance in the School Lunch fund exceeded the three months average expenditures throughout the audit period; therefore, this was a systemic issue.

*Criteria*

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. . . ."

7 CFR 210.14(b) states:

"*Net cash resources.* 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 in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with Cash Management requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-004 - SUSPENSION AND DEBARMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Suspension and Debarment.

The School Corporation was not aware of the Suspension and Debarment requirements regarding verifying vendors were not suspend or debarred.

*Context*

During the audit period, the School Corporation procured items from five vendors that were subject to Suspension and Debarment requirements. The School Corporation failed to ensure that these five vendors were not suspended or debarred from participation in federal programs.

*Criteria*

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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

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

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Suspension and Debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Suspension and Debarment requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-005 - INTERNAL CONTROLS OVER ELIGIBILITY, REPORTING, AND SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS AND ASSESSMENT SYSTEM SECURITY***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013, FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Assessment System Security.

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

*Eligibility*

Individual Eligibility - Students were tested for their eligibility for Title I Services by classroom teachers. The head paraprofessional completed the eligibility worksheet based on the test scores obtained from classroom teachers. The Title I Coordinator then reviewed the eligibility worksheet to determine whether it was accurate for those who qualified for Title I services. However, evidence of this review was not documented.

*Reporting*

Final reports were prepared by the Director of Finance and Operations and reviewed by the Director of Curriculum, Instruction & Student Services. We were unable to find evidence of this control on the final report or in the Title I files.

*Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals*

The Administration used a 'Highly Qualified Verification' Checklist that was maintained in employee's files. This was not an effective control as the checklist was not in all files tested.

*Special Tests and Provisions - Assessment System Security*

The School Corporation had the appropriate administration and building personnel certify the Indiana Testing Security and Integrity Agreement that documented their understanding of the School Corporation's test security measures and policies. However, the control was not effective since not all checklists were provided.

*Context*

There was no evidence of controls over Eligibility or Reporting; therefore, these were systemic issues. Controls over Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals were not effective since the verification checklist was not included in eight out of ten files tested. Controls were not effective for Special Tests and Provisions - Assessment System Security since three out of the six schools in the School Corporation failed to retain the agreements.

*Criteria*

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. . . ."

*Cause*

The School Corporation failed to establish an effective internal control structure to ensure compliance with the requirements noted above.

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

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Assessment System Security compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

# SCHOOL TOWN OF HIGHLAND

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(219) 924-7400 FAX (219) 922-5637

## **Administration**

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

## **Board of Trustees**

Robert Kuva, President  
Carol Green-Fraley, Vice President  
Patrick Krull, Secretary  
Luanne Jurczak, Member  
Vicki Crowel, Member

## **Summary Schedule of Prior Audit Findings**

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

Fiscal Year in which the finding occurred: Ending June 30, 2012 & 2013  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer  
Contact Phone Number: (219) 924-7400 x7231

#### **Procurement, Suspension, and Debarment:**

The Food Service Department was a member of the Northwest Indiana Educational Service Center and participated in cooperative purchasing. Each school corporation had a representative that sat on the executive board and approved all bids for the Service Center. Prior to this finding, the local School Board never approved individual bids, because they approved the membership in the NWIESC for the cooperative purchasing aspect. In order to correct this situation, the School Town of Highland now requests Board Approval for all cooperative purchasing agreements.

The School Town of Highland is currently working towards the corrective action of Suspension and Debarment. The Food Service Director will search the website [www.sam.gov](http://www.sam.gov) for any purchases of products or services over \$25,000 paid with federal funds, to make certain that the desired vendor has not been suspended or debarred from doing business with the federal government. She will print the verification and attach it to the purchase order.

#### **Program Income:**

Two of the schools failed to retain the cash balancing worksheet that details their daily collections and verification that two individuals are responsible for this reconciliation. The food service employees have been advised that retaining these worksheets is a requirement of the proper procedures for future audit. Any deviations from this procedure will result in disciplinary action.

#### **Reporting:**

The Food Service Director prepares on-line federal reimbursement requests. At the time of audit, no signature was required on the form. The Audit indicated that multiple employees must review all reimbursement requests and applicable reports as part of an appropriate internal control structure. The Food Service Director now prepares the federal reimbursement requests and reports. The Assistant Food Service Director reviews and approves these documents. Both individuals sign the document as evidence of this review process.

Verification of Free/Reduced Applications:

The Assistant Food Service Director prepares the verification of income for the free/reduced lunch applications. She would discuss the verifications with the Food Service Director. However, no supporting documentation existed to prove that verification of the applicant's income and continued eligibility was reviewed by more than one person. To correct this issue, the Assistant Food Service Director conducts the verification of income and eligibility. The Food Service Director reviews and approves the verification. Both individuals sign the verifications indicating the correctness of the income and continued eligibility of the applicant.

Lunch Fund Accounts:

At the time of audit, the student prepaid "monies on account" were recorded as revenue to the school lunch fund when they were 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 or spent.

While the School Town of Highland disagreed based on this principal of the cash basis of accounting, we have complied with this directive. Prepaid lunch funds are now receipted into a separate clearing account, called Prepaid Food (8400) when the funds are received. The revenue is recognized when the student charges the breakfast or lunch and funds are transferred from the Prepaid Food clearing account (8400) to the Food Service Fund (0800).

Thank you,



Cynthia Adams  
Director of Finance & Operations/Treasurer  
March 14, 2017

# SCHOOL TOWN OF HIGHLAND

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Luanne Jurczak, Member  
Vicki Crowel, Member

## **Summary Schedule of Prior Audit Findings**

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

Fiscal Year in which the finding occurred: Ending June 30, 2012 & 2013  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer  
Contact Phone Number: (219) 924-7400 x7231

At the time of audit, the student prepaid “monies on account” were recorded as revenue to the school lunch fund when they were 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 or spent.

While the School Town of Highland disagreed based on this principal of the cash basis of accounting, we have complied with this directive. Prepaid lunch funds are now receipted into a separate clearing account, called Prepaid Food (8400) when the funds are received. The revenue is recognized when the student charges the breakfast or lunch and funds are transferred from the Prepaid Food clearing account (8400) to the Food Service Fund (0800).

7 CFR 210.14 states in part that the school food authority shall limit its net cash resources to an amount that doesn't exceed 3 months average expenditures. The School Town of Highland had accumulated excess funds to complete necessary kitchen renovation projects and food service equipment purchases. We are still in this process and are working towards the requirement of maintaining no more than three months average expenditures.

Thank you,



Cynthia Adams  
Director of Finance & Operations/Treasurer  
March 14, 2017

“Educating Today’s Students for Tomorrow’s Challenges”

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## **Summary Schedule of Prior Audit Findings**

### **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**

Fiscal Year in which the finding occurred: Ending June 30, 2012 & 2013  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer  
Contact Phone Number: (219) 924-7400 x7231

#### Activities Allowed/Allowable Costs/ Period of Availability:

The audit noted that on one familiar with the grant requirements was signing and approving the payroll expenditures in the Education Jobs Fund Grant. The School Town of Highland Administrative Team was well advised on the allowable expenditures in this grant and it was determined the expenses were valid and allowable. . The payroll expenditures were itemized on an Excel spreadsheet and presented to 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 in each fund. The Superintendent along with all five Board Members signed this required document after each payroll. The Auditor directed the School Corporation Treasurer to sign the document instead of the Superintendent. We have complied 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 other financial reports had been disposed of, due to their size and the fact that they are readily available in the computer. The Treasurer now keeps the computer generated financial reports as directed in the audit.

#### Cash Management, Reporting, Special Tests (Comparability Report)

The Treasurer prepared and signs the state grant reimbursement requests that required one signature on the form at the time of audit. She then sent a copy to the Deputy Treasurer who receives and receipts the funds. The audit noted that more than one person needs to review and approve the reimbursement requests and other reporting requirements prior to submission. The Treasurer now prepares the report, attaches supporting documentation and asks the Director of Curriculum to review and approve it for its completeness and accuracy. Similarly, the Director of Curriculum now has the Treasurer review and approve the Comparability Report as well.

Thank you,



Cynthia Adams  
Director of Finance & Operations/Treasurer  
March 14, 2017

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## CORRECTIVE ACTION PLAN

### ***FINDING 2015-001 Internal Controls and Compliance Over Financial Transactions***

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

1. Receipts: The Auditor noted that there were issues due to a lack of segregation of duties relating to the process of receipting, recording, depositing and reconciling the monies deposited.
2. Vendor Disbursements:
  - a. Accounts Payable Vouchers were paid without verification of receipt of goods.
  - b. Accounts Payable checks were printed prior to the approval of the board.
3. Payroll Disbursements: The corporation has an additional employee overseeing the input of the payroll information, but neglected to keep the supporting documentation to prove the verification process.

### Description of Corrective Action Plan:

1. Receipts: We will implement a better system of segregation of these duties. Before or on July 1, 2017, the Deputy Treasurer will continue to record the receipts in the financial software and prepare the bank reconciliations each month. We will assign the duties of creating the deposit slip and taking the deposit to the bank to our Accounts Payable/Payroll Specialist.
2.
  - a. The Accounts Payable/Payroll Specialist did not obtain the Transportation Manager's signature on a certain claim, because he was on vacation. She has been notified of the proper procedure and the expectation that all claims for goods or services must contain the department's verification that the goods/services were received indicated by their signature as approval to pay the claim.
  - b. Currently the Accounts Payable/Payroll Specialist prepares the board docket for the Accounts Payable Claims by producing the checks through the financial software and locking them in the safe until they are approved by the School Board at our monthly meetings. They are mailed the following morning after receiving the board approval. If the board ever denies the payment of a claim, the check is voided instead of being mailed.  
  
We will petition the School Board to approve this process going forward.
3. The Superintendent/Human Resource Secretary will continue to verify the validity of the payroll that was input by comparing the trial payroll with the previous payroll docket. She will sign and keep this documentation in the payroll file to support the accuracy of the payroll.

Anticipated Completion Date:

All items are expected to be completed on or before July 1, 2017. Items two a. and three have already been implemented after discussions with the State Board of Accounts Auditor.

  
(Signature)

Director of Finance & Operations  
(Title)

April 20, 2017  
(Date)

# SCHOOL TOWN OF HIGHLAND

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## CORRECTIVE ACTION PLAN

### ***FINDING 2015-002 Internal Controls Over Equipment, Reporting, and Special Tests and Provisions – Paid Lunch Equity***

Contact Person Responsible for Corrective Action: **Cynthia Adams**  
Contact Phone Number: **219.924.7400 x7231**

1. Equipment: The Auditor noted that capital assets were procured properly, but not inventoried properly on our Fixed Asset Report. The corporation neglected to mark such assets as purchased with federal funds on the annual Fixed Asset Report.

2. Reporting – Annual Financial Report and Verification Summary Report:

- a. The Annual Financial Report is currently prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. It was noted that the supporting documentation was not preserved in the file and therefore did not support that the information was accurate prior to submission.
- b. The Verification Summary Report is currently prepared by the Assistant Food Service Director and verified by the Food Service Director. It was noted that this verification was evident on the 2013-14 report, but not on the 2014-15 report.

3. Special Tests and Provisions – Paid Lunch Equity: The Paid Lunch Equity calculations are currently prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. It was noted that the supporting documentation was not preserved in the file and therefore did not support that the information was accurate prior to submission.

### Description of Corrective Action Plan:

1. Equipment: We will implement a better internal control system of recording federal fixed assets. Before or on July 1, 2017, the Food Service Director will join the fixed asset committee members and attend the annual fixed asset meeting with our vendor. She will prepare the list of additions and deletions to the fixed asset inventory and indicate which assets were paid with federal funds. The vendor has been notified that proper internal controls dictate that the assets be marked as federal if applicable. After receiving the interim final report from the vendor, the committee will meet again and verify that all additions and deletions from each department were recorded correctly. If all is in compliance, the vendor will be notified that the committee has verified his report.
2. a. Annual Financial Report: The Annual Financial Report will continue to be prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. The internal control procedure was revised to include the requirement of retaining the supporting documentation in the file with the report and

having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

b. Verification Summary Report: The Verification Summary Report will continue to be prepared by the Assistant Food Service Director and verified by the Food Service Director prior to submission to the state. We have revised our internal control procedures to include the requirement of retaining the supporting documentation in the file with the report and having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

3. Special Tests and Provisions – Paid Lunch Equity: The Paid Lunch Equity calculations will continue to be prepared by the Food Service Director and verified by the Assistant Food Service Director prior to submission to the state. We have revised our internal control procedures to include the requirement of retaining the supporting documentation in the file with the report and having the overseer to sign the report to indicate that she has verified the accuracy of the information prior to the submission to the state.

Anticipated Completion Date:

All items are expected to be completed on or before July 1, 2017.

  
\_\_\_\_\_  
(Signature)

Director of Finance & Operations  
(Title)

April 20, 2017  
(Date)

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Luanne Jurczak, Member

## CORRECTIVE ACTION PLAN

### ***FINDING 2015-003 Cash Management – School Breakfast and Lunch Program***

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

Cash Management: The Auditor noted that the cash balance in the food service fund exceeded the average expenditures for three (3) months in each of the twenty-four (24) months audited. The requirements state that the district maintain a nonprofit school food service program and limit the cash resources to an amount that does not exceed 3 months average expenditures.

#### Description of Corrective Action Plan:

Cash Management: Additional funds were accumulated to renovate the serving lines and to purchase necessary equipment. While we have completed many of these renovations over the past few years, we have not finished all. The renovation projects must be timed when the students are not in attendance and the Maintenance Department can manage and oversee the projects. Therefore, it has taken additional time to complete these renovations.

The cash balance on 3/31/17 was \$761,857. The monthly average expenditure is \$102,069, so the three month average expenditure and target cash balance is \$306,207.

During the summer of 2017, we plan on installing a custom serving line and steel preparation table at Merkley Elementary School. This is estimated to cost \$90,000. We also plan on installing a custom double serving line at Highland High School with an estimated cost of \$250,000.

During the Fall Break of 2017, we'll be installing a new "Grab N Go" line, a deli line, and a variety line at Highland High School. We are estimating these improvements to cost \$150,000.

The cash balance on 3/31/17 was \$761,857. The total estimated cost for the projects listed above is \$490,000. This would leave us with an estimated cash balance of \$271,857 by December 31, 2017. This will insure that we are in compliance with the state and federal regulations of maintaining a nonprofit food service program which consists of a cash balance that doesn't exceed 3 months average expenditures or \$306,207.

#### Anticipated Completion Date:

All items are expected to be completed on or before December 31, 2017 unless market, vendor or weather conditions delay the planned construction.

  
(Signature)

\_\_\_\_\_  
Director of Finance & Operations  
(Title)

\_\_\_\_\_  
April 20, 2017

(Date)

# SCHOOL TOWN OF HIGHLAND

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## CORRECTIVE ACTION PLAN

### ***FINDING 2015-004 Suspension & Debarment – School Breakfast and Lunch Program***

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

Suspension & Debarment: The U.S. Department of Agriculture requires that school corporations verify that awarded contracts exceeding \$25,000 were not suspended or debarred entities when spending federal funds. The school corporation was not aware of this requirement and allowed a total of five (5) vendors to go unchecked.

#### Description of Corrective Action Plan:

Suspension & Debarment: The school corporation concurs with this finding and has revised the internal controls of purchasing with federal dollars to include a search for the proposed vendor name on the federal website. If not suspended or debarred, a copy of that search will be attached to the purchase order. If the vendor is suspended or debarred, a contract will not be awarded.

The report mentions that the Northwest Indiana Educational Service Center (NWIESC) complied with this requirement for the grocery, commodity, milk, and bread vendors. We are no longer members of the NWIESC.

We now use a company called Hospital Purchasing Services (HPS). We have verified that HPS also searches out suspended and debarred companies with federal contracts over \$25,000. The Food Service Director will obtain such certification from HPS when she requests board approval of the grocery, commodity, milk and bread bids.

#### Anticipated Completion Date:

Our internal control procedure changed immediately, effective March 1, 2017, after learning of this infraction through the audit. Any and all federal contracts over \$25,000 will be checked for suspension and debarment prior to issuing a contract. The documented search will be attached to the purchase order or to the approved bid documents.

  
(Signature)

Director of Finance & Operations  
(Title)

April 20, 2017  
(Date)

# SCHOOL TOWN OF HIGHLAND

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

## Administration

Brian J. Smith, Superintendent  
Sherri Mitchell, PhD. Director  
Cynthia Adams, Director

## Board of Trustees

Robert Kuva, President  
Carol Green-Fraley, Vice President  
Patrick Krull, Secretary  
Vicki Crowel, Member  
Luanne Jurczak, Member

## CORRECTIVE ACTION PLAN

### ***FINDING 2015-005 Internal Controls Over Eligibility, Reporting, and Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals and Assessment System Security – Title I Grants to Local Educational Agencies***

Contact Person Responsible for Corrective Action: **Cynthia Adams**

Contact Phone Number: **219.924.7400 x7231**

1. **Eligibility:** The Lead Paraprofessionals complete the eligibility worksheet according to the test scores obtained by the classroom teachers. The Title I Coordinator reviews these reports to determine if a student qualifies for Title I services. No documentation of this review was maintained in the file.
2. **Reporting:** Final expenditure reports were completed by the Director of Finance and reviewed and approved by the Title I Director. Both individuals are required to sign the report. The auditor was unable to find evidence of this review in the file.
3. **Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals:** Human Resources used a Checklist that is maintained in the employees file to insure the employee is highly qualified and other data is entered in the financial system correctly. The checklist was not included in 80% of the files tested.
4. **Special Tests and Provisions – Assessment System Security:** The corporation had the administration and other appropriate personnel certify the Indiana Testing Security and Integrity Agreement that outlined the test's security measures and policies. The signed forms were to be maintained at the building level. However, only three (3) of the six (6) principals complied.

#### Description of Corrective Action Plan:

1. **Eligibility:** The eligibility worksheet will be revised to add a section for the Title I Coordinator to indicate that she has reviewed the form and agrees with the results and require her signature.
2. **Reporting:** The Indiana Department of Education sent Crowe Horwath to the School Town of Highland to audit the 2012/2013 and 2013/2014 Title I, II & III Grants on March 15, 2015. The auditor reviewed the files and reported the results to the state. The state did not notify the school district of any issues or problems as a result of the audit.

The Indiana SBOA auditors were given the very same files along with all of the other grant files. The packet of monthly receipts and the final signed expenditure report were missing from the 2013/2014 Title I packet. We were able to re-create the receipts, because duplicate copies are maintained. We printed the final report from the on-line program, but it didn't have the two required signatures.

We contacted the auditor from Crowe Horwath to see if he had the documents in his working file. Unfortunately, he did not. Later it was discovered that the Crowe Horwath auditor included the receipts in the file given to the Title I Director, instead of returning them to the financial file. The signed version of final report has not been found to date.

While I believe this to be an isolated instance, the files will be reviewed to insure all documentation was returned to the correct file prior to the auditor leaving.

3. Highly Qualified Teachers and Paraprofessionals: The employee checklist is a document that insures that human resources, payroll, benefits and the accounting department all enter their area of responsibility in regards to entering a new employee or a transferred employee. As recommended by the auditors, the employee checklist form, along with the internal control procedure, will be revised to make certain that each department enters their required information and initial the form to verify they have done so. The Human Resources and the Accounting Department will work together to revise the employee checklist form to insure it serves as a checklist and verification for both departments. This form will be required as part of the internal control procedures to be included in each employee's file for any and all employee status changes listed on the form.
4. Assessment System Security: The corporation will continue to have the administration and other appropriate personnel certify the Indiana Testing Security and Integrity Agreement that outlined the test's security measures and policies. The signed forms will still be maintained at the building level. However, the form will be revised to include the following statement: "Testing Security & Integrity Agreements from all employees who administer, handle or have access to secure test materials. (Maintained on file for 3 years.)" as part of the checklist. The individual will have to check the appropriate response, yes, no or N/A. This will serve as a reminder to the administrators that the form must be kept on file.

Anticipated Completion Date:

All internal control procedural changes listed above are expected to be completed and in effect as of July 1, 2017. The Corrective Action Plan items numbered 1 through 4 above will be implemented when the reports are due during the 2017/2018 school year.

  
\_\_\_\_\_  
(Signature)

Director of Finance & Operations  
\_\_\_\_\_  
(Title)

April 20, 2017  
\_\_\_\_\_  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.