

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, 2015 to June 30, 2017



FILED
03/28/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia Adams	07-01-15 to 06-30-18
Superintendent of Schools	Brian Smith	07-01-15 to 06-30-18
President of the School Board	Patrick Krull Luanne Jurczak Robert Kuva Carol Green-Fraley	07-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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, 2015 to June 30, 2017, 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 (Indiana Code 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, 2015 to June 30, 2017.

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, 2015 to June 30, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 7, 2018, 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 solely 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 effectiveness of the School Corporation's 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

March 7, 2018



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AN EQUAL OPPORTUNITY EMPLOYER

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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, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated March 7, 2018, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 7, 2018

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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, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 3,350,376	\$ 19,703,289	\$ 19,034,977	\$ -	\$ 4,018,688	\$ 20,318,233	\$ 19,445,546	\$ -	\$ 4,891,375
Debt Service	855,570	1,450,650	1,167,240	71,073	1,210,053	2,466,135	2,142,497	(32,662)	1,501,029
Exempt Debt	2,847,095	4,308,737	4,694,000	-	2,461,832	4,425,393	4,264,000	-	2,623,225
Exempt Pension Debt	157,868	-	-	-	157,868	-	-	-	157,868
Capital Projects	1,317,388	3,705,844	2,963,315	18,200	2,078,117	3,449,469	3,708,325	17,409	1,836,670
School Transportation	1,001,912	1,634,729	1,502,684	-	1,133,957	1,660,366	1,526,188	-	1,268,135
School Bus Replacement	255,781	449,095	327,528	-	377,348	340,412	375,776	-	341,984
Post-Retirement/Severance Future Benefits	320,800	-	32,120	-	288,680	-	185,894	-	102,786
G.O. Construction of 2015	1,880,604	-	1,574,192	-	306,412	-	297,159	-	9,253
First Mortgage Bond of 2016 Construction	-	4,981	-	10,000,000	10,004,981	55,340	975,557	-	9,084,764
G.O. Construction of 2017	-	-	-	3,800,000	3,800,000	-	1,756,444	-	2,043,556
School Lunch	1,023,353	1,366,635	1,224,830	-	1,165,158	1,372,021	1,769,782	-	767,397
Textbook Rental	517,792	313,946	177,114	42,944	697,568	337,567	146,606	32,662	921,191
Self-Insurance	3,388,474	2,898,690	3,011,588	-	3,275,576	2,867,104	3,422,943	-	2,719,737
Levy Excess	-	1,394	-	-	1,394	-	-	-	1,394
Child Care Program	100,126	124,289	112,982	-	111,433	127,731	120,132	-	119,032
Alternative Education 2014/2015 SY	99,111	-	28,679	(70,432)	-	-	-	-	-
Alternative Education 2015/2016 SY	-	171,856	134,675	70,434	107,615	-	23,412	(84,203)	-
Alternative Education 2016/2017 SY	-	-	-	-	-	147,301	146,298	84,203	85,206
SAFE School Haven 2015/2016 SY	-	10,000	10,000	-	-	-	-	-	-
Early Intervention Grant 2015	(1,500)	40,000	38,500	-	-	-	-	-	-
Early Intervention Grant 2016	-	-	-	-	-	3,739	-	-	3,739
Lowes Donation	2,099	-	2,099	-	-	-	-	-	-
Home Depot Donation	5,424	-	5,424	-	-	-	-	-	-
IN DOE Literacy	938	-	938	-	-	-	-	-	-
Lake County Substance Abuse Council Grant 2015/16 SY	-	7,250	6,300	-	950	-	950	-	-
Lake County Substance Abuse Council Grant 2016/17 SY	-	-	-	-	-	10,400	8,225	-	2,175
Formative Assessment	-	18,200	-	(18,200)	-	39,286	8,883	(17,409)	12,994
High Ability Grant 2015/2016 SY	-	37,987	37,987	-	-	-	-	-	-
High Ability Grant 2016/2017 SY	-	-	-	-	-	37,181	32,165	-	5,016
Computer Consortium/Ed Tech Advance (3190)	-	298,500	298,500	-	-	-	-	-	-
Computer Consortium/Ed Tech Advance (3191)	-	204,430	269,389	-	(64,959)	103,870	38,911	-	-
Computer Consortium/Ed Tech Advance (3192)	-	-	-	-	-	314,100	314,100	-	-
Computer Consortium/Ed Tech Advance (3193)	-	-	-	-	-	-	163,080	-	(163,080)
Education Technology (3199)	-	120,247	120,247	-	-	-	-	-	-
Secured Schools Safety Grant	-	-	50,000	-	(50,000)	50,000	50,000	-	(50,000)
Non-English Speaking Programs P.L. 273-1999 (3716)	-	15,300	15,300	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999 (3717)	-	-	-	-	-	15,017	15,017	-	-
School Technology	2,147	10,884	10,247	-	2,784	12,788	10,884	-	4,688
Career and Technical Performance Grant	-	-	-	-	-	18,764	18,764	-	-
Performance Based Awards (3750)	-	114,495	114,495	-	-	-	-	-	-
Performance Based Awards (3751)	-	-	-	-	-	161,282	161,282	-	-
Senator David Ford Technology	-	3,247	3,247	-	-	-	-	-	-
Title I - Grants to LEAs 14/15 (4114)	(21,243)	73,192	51,949	-	-	-	-	-	-
Title I - Grants to LEAs 15/16 (4115)	-	274,689	345,627	-	(70,938)	95,960	25,022	-	-
Title I - Grants to LEAs 16/17 (4116)	-	-	-	-	-	237,006	260,707	-	(23,701)
Title II Part A Improving Teacher Quality (6845)	(1,550)	6,574	5,024	-	-	-	-	-	-
Title II Part A Improving Teacher Quality (6846)	-	43,000	46,527	-	(3,527)	26,126	22,599	-	-
Title II Part A Improving Teacher Quality (6847)	-	-	-	-	-	15,429	22,230	-	(6,801)
Title III - Language Instruction 14/15 (6884)	(1,370)	1,370	-	-	-	-	-	-	-
Title III - Language Instruction 15/16 (6885)	-	14,752	14,871	-	(119)	316	197	-	-
Title III - Language Instruction 16/17 (6886)	-	-	-	-	-	12,668	12,820	-	(152)
Clearing Accounts (Fund 8100)	-	4,608,516	4,608,516	-	-	4,677,112	4,677,112	-	-
Food Service Clearing Account (Fund 8400)	15,666	38,620	37,490	-	16,796	31,499	30,274	-	18,021
Totals	\$ 17,116,861	\$ 42,075,388	\$ 42,078,601	\$ 13,914,019	\$ 31,027,667	\$ 43,429,615	\$ 46,179,781	\$ -	\$ 28,277,501

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 service. 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:

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

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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 lien date (March 1 in a year ending before July 1, 2016 and July 1 in a year beginning after June 30, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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.

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 8. Holding Corporation

The School Corporation has 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, 2016 and 2017, totaled \$4,024,000 both years.

SCHOOL TOWN OF HIGHLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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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 Indiana Gateway for Government Units 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, 2016

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Post-Retirement/Severance Future Benefits
Cash and investments - beginning	\$ 3,350,376	\$ 855,570	\$ 2,847,095	\$ 157,868	\$ 1,317,388	\$ 1,001,912	\$ 255,781	\$ 320,800
Receipts:								
Local sources	166,514	1,207,650	4,068,737	-	2,244,844	1,201,729	265,095	-
Intermediate sources	214,562	-	-	-	-	-	-	-
State sources	19,322,054	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	243,000	240,000	-	1,461,000	433,000	184,000	-
Other	159	-	-	-	-	-	-	-
Total receipts	19,703,289	1,450,650	4,308,737	-	3,705,844	1,634,729	449,095	-
Disbursements:								
Current:								
Instruction	12,347,247	-	-	-	-	-	-	-
Support services	6,313,752	-	-	-	1,223,028	1,071,684	190,528	32,120
Noninstructional services	373,978	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	763,287	-	-	-
Debt service	-	1,167,240	4,694,000	-	977,000	431,000	137,000	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	19,034,977	1,167,240	4,694,000	-	2,963,315	1,502,684	327,528	32,120
Excess (deficiency) of receipts over disbursements	668,312	283,410	(385,263)	-	742,529	132,045	121,567	(32,120)
Other financing sources (uses):								
Proceeds of long-term debt	-	114,017	-	-	-	-	-	-
Transfers in	-	-	-	-	18,200	-	-	-
Transfers out	-	(42,944)	-	-	-	-	-	-
Total other financing sources (uses)	-	71,073	-	-	18,200	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	668,312	354,483	(385,263)	-	760,729	132,045	121,567	(32,120)
Cash and investments - ending	\$ 4,018,688	\$ 1,210,053	\$ 2,461,832	\$ 157,868	\$ 2,078,117	\$ 1,133,957	\$ 377,348	\$ 288,680

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, 2016

	G.O. Construction of 2015	First Mortgage Bond of 2016 Construction	G.O. Construction of 2017	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Child Care Program
Cash and investments - beginning	\$ 1,880,604	\$ -	\$ -	\$ 1,023,353	\$ 517,792	\$ 3,388,474	\$ -	\$ 100,126
Receipts:								
Local sources	-	4,981	-	702,010	226,021	2,898,690	1,394	124,289
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	19,125	87,925	-	-	-
Federal sources	-	-	-	645,500	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	4,981	-	1,366,635	313,946	2,898,690	1,394	124,289
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	5,350	177,114	71,588	-	-
Noninstructional services	-	-	-	1,195,340	-	-	-	112,982
Facilities acquisition and construction	1,574,192	-	-	24,140	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	2,940,000	-	-
Total disbursements	1,574,192	-	-	1,224,830	177,114	3,011,588	-	112,982
Excess (deficiency) of receipts over disbursements	(1,574,192)	4,981	-	141,805	136,832	(112,898)	1,394	11,307
Other financing sources (uses):								
Proceeds of long-term debt	-	10,000,000	3,800,000	-	-	-	-	-
Transfers in	-	-	-	-	42,944	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	10,000,000	3,800,000	-	42,944	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,574,192)	10,004,981	3,800,000	141,805	179,776	(112,898)	1,394	11,307
Cash and investments - ending	\$ 306,412	\$ 10,004,981	\$ 3,800,000	\$ 1,165,158	\$ 697,568	\$ 3,275,576	\$ 1,394	\$ 111,433

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, 2016

	Alternative Education 2014/2015 SY	Alternative Education 2015/2016 SY	Alternative Education 2016/2017 SY	SAFE School Haven 2015/2016 SY	Early Intervention Grant 2015	Early Intervention Grant 2016	Lowes Donation
Cash and investments - beginning	\$ 99,111	\$ -	\$ -	\$ -	\$ (1,500)	\$ -	\$ 2,099
Receipts:							
Local sources	-	129,566	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	42,290	-	-	40,000	-	-
Federal sources	-	-	-	10,000	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	171,856	-	10,000	40,000	-	-
Disbursements:							
Current:							
Instruction	22,022	128,675	-	10,000	-	-	2,099
Support services	6,000	6,000	-	-	38,500	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	657	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	28,679	134,675	-	10,000	38,500	-	2,099
Excess (deficiency) of receipts over disbursements	(28,679)	37,181	-	-	1,500	-	(2,099)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	70,434	-	-	-	-	-
Transfers out	(70,432)	-	-	-	-	-	-
Total other financing sources (uses)	(70,432)	70,434	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(99,111)	107,615	-	-	1,500	-	(2,099)
Cash and investments - ending	\$ -	\$ 107,615	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

	Home Depot Donation	IN DOE Literacy	Lake County Substance Abuse Council Grant 2015/2016 SY	Lake County Substance Abuse Council Grant 2016/2017 SY	Formative Assessment	High Ability Grant 2015/2016 SY	High Ability Grant 2016/2017 SY	Computer Consortium/ Ed Tech Advance (3190)
Cash and investments - beginning	\$ 5,424	\$ 938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	7,250	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	18,200	37,987	-	298,500
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	7,250	-	18,200	37,987	-	298,500
Disbursements:								
Current:								
Instruction	5,424	-	-	-	-	37,987	-	-
Support services	-	938	6,300	-	-	-	-	298,500
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,424	938	6,300	-	-	37,987	-	298,500
Excess (deficiency) of receipts over disbursements	(5,424)	(938)	950	-	18,200	-	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(18,200)	-	-	-
Total other financing sources (uses)	-	-	-	-	(18,200)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,424)	(938)	950	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 950	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

	Computer Consortium/ Ed Tech Advance (3191)	Computer Consortium/ Ed Tech Advance (3192)	Computer Consortium/ Ed Tech Advance (3193)	Education Technology (3199)	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 (3716)	Non-English Speaking Programs P.L. 273-1999 (3717)	School Technology
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,147
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	204,430	-	-	120,247	-	-	-	10,884
Federal sources	-	-	-	-	-	15,300	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	204,430	-	-	120,247	-	15,300	-	10,884
Disbursements:								
Current:								
Instruction	-	-	-	-	-	15,300	-	-
Support services	269,389	-	-	120,247	50,000	-	-	10,247
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	269,389	-	-	120,247	50,000	15,300	-	10,247
Excess (deficiency) of receipts over disbursements	(64,959)	-	-	-	(50,000)	-	-	637
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	(64,959)	-	-	-	(50,000)	-	-	637
Cash and investments - ending	\$ (64,959)	\$ -	\$ -	\$ -	\$ (50,000)	\$ -	\$ -	\$ 2,784

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, 2016

	Career and Technical Performance Grant	Performance Based Awards (3750)	Performance Based Awards (3751)	Senator David Ford Technology	Title I - Grants to LEAs 14/15 (4114)	Title I - Grants to LEAs 15/16 (4115)	Title I - Grants to LEAs 16/17 (4116)	Title II Part A Improving Teacher Quality (6845)
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (21,243)	\$ -	\$ -	\$ (1,550)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	114,495	-	3,247	-	-	-	-
Federal sources	-	-	-	-	73,192	274,689	-	6,574
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	114,495	-	3,247	73,192	274,689	-	6,574
Disbursements:								
Current:								
Instruction	-	-	-	-	51,878	322,106	-	-
Support services	-	114,495	-	3,247	71	11,457	-	5,024
Noninstructional services	-	-	-	-	-	12,064	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	114,495	-	3,247	51,949	345,627	-	5,024
Excess (deficiency) of receipts over disbursements	-	-	-	-	21,243	(70,938)	-	1,550
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	-	-	-	-	21,243	(70,938)	-	1,550
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (70,938)	\$ -	\$ -

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, 2016

	Title II Part A Improving Teacher Quality (6846)	Title II Part A Improving Teacher Quality (6847)	Title III - Language Instruction 14/15 (6884)	Title III - Language Instruction 15/16 (6885)	Title III - Language Instruction 16/17 (6886)	Clearing Accounts (Fund 8100)	Food Service Clearing Account (Fund 8400)	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (1,370)	\$ -	\$ -	\$ -	\$ 15,666	\$ 17,116,861
Receipts:								
Local sources	-	-	-	-	-	-	-	13,248,770
Intermediate sources	-	-	-	-	-	-	-	214,562
State sources	-	-	-	-	-	-	-	20,319,384
Federal sources	43,000	-	1,370	14,752	-	4,608,516	38,620	5,731,513
Temporary loans	-	-	-	-	-	-	-	2,561,000
Other	-	-	-	-	-	-	-	159
Total receipts	43,000	-	1,370	14,752	-	4,608,516	38,620	42,075,388
Disbursements:								
Current:								
Instruction	33,495	-	-	14,077	-	-	-	12,990,310
Support services	13,032	-	-	794	-	-	-	10,039,405
Noninstructional services	-	-	-	-	-	4,608,516	37,490	6,340,370
Facilities acquisition and construction	-	-	-	-	-	-	-	2,362,276
Debt service	-	-	-	-	-	-	-	7,406,240
Nonprogrammed charges	-	-	-	-	-	-	-	2,940,000
Total disbursements	46,527	-	-	14,871	-	4,608,516	37,490	42,078,601
Excess (deficiency) of receipts over disbursements	(3,527)	-	1,370	(119)	-	-	1,130	(3,213)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	13,914,017
Transfers in	-	-	-	-	-	-	-	131,578
Transfers out	-	-	-	-	-	-	-	(131,576)
Total other financing sources (uses)	-	-	-	-	-	-	-	13,914,019
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,527)	-	1,370	(119)	-	-	1,130	13,910,806
Cash and investments - ending	\$ (3,527)	\$ -	\$ -	\$ (119)	\$ -	\$ -	\$ 16,796	\$ 31,027,667

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, 2017

	General	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Post-Retirement/Severance Future Benefits
Cash and investments - beginning	\$ 4,018,688	\$ 1,210,053	\$ 2,461,832	\$ 157,868	\$ 2,078,117	\$ 1,133,957	\$ 377,348	\$ 288,680
Receipts:								
Local sources	189,387	1,816,135	4,148,393	-	2,177,469	1,191,533	205,412	-
Intermediate sources	373,783	-	-	-	-	-	-	-
State sources	19,754,571	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	650,000	277,000	-	1,272,000	466,000	135,000	-
Other	492	-	-	-	-	2,833	-	-
Total receipts	20,318,233	2,466,135	4,425,393	-	3,449,469	1,660,366	340,412	-
Disbursements:								
Current:								
Instruction	12,732,542	-	-	-	-	-	-	-
Support services	6,363,722	-	-	-	1,476,721	1,093,188	191,776	185,894
Noninstructional services	349,282	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	770,604	-	-	-
Debt service	-	2,142,497	4,264,000	-	1,461,000	433,000	184,000	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	19,445,546	2,142,497	4,264,000	-	3,708,325	1,526,188	375,776	185,894
Excess (deficiency) of receipts over disbursements	872,687	323,638	161,393	-	(258,856)	134,178	(35,364)	(185,894)
Other financing sources (uses):								
Transfers in	-	-	-	-	17,409	-	-	-
Transfers out	-	(32,662)	-	-	-	-	-	-
Total other financing sources (uses)	-	(32,662)	-	-	17,409	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	872,687	290,976	161,393	-	(241,447)	134,178	(35,364)	(185,894)
Cash and investments - ending	\$ 4,891,375	\$ 1,501,029	\$ 2,623,225	\$ 157,868	\$ 1,836,670	\$ 1,268,135	\$ 341,984	\$ 102,786

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, 2017

	G.O. Construction of 2015	First Mortgage Bond of 2016 Construction	G.O. Construction of 2017	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Child Care Program
Cash and investments - beginning	\$ 306,412	\$ 10,004,981	\$ 3,800,000	\$ 1,165,158	\$ 697,568	\$ 3,275,576	\$ 1,394	\$ 111,433
Receipts:								
Local sources	-	55,340	-	686,563	246,152	2,867,104	-	127,731
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	17,723	91,415	-	-	-
Federal sources	-	-	-	667,710	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	25	-	-	-	-
Total receipts	-	55,340	-	1,372,021	337,567	2,867,104	-	127,731
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	10,731	1,578,525	313,904	146,606	60,197	-	-
Noninstructional services	-	-	-	1,422,327	-	-	-	120,132
Facilities acquisition and construction	297,159	964,826	177,919	33,551	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	3,362,746	-	-
Total disbursements	297,159	975,557	1,756,444	1,769,782	146,606	3,422,943	-	120,132
Excess (deficiency) of receipts over disbursements	(297,159)	(920,217)	(1,756,444)	(397,761)	190,961	(555,839)	-	7,599
Other financing sources (uses):								
Transfers in	-	-	-	-	32,662	576	-	-
Transfers out	-	-	-	-	-	(576)	-	-
Total other financing sources (uses)	-	-	-	-	32,662	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(297,159)	(920,217)	(1,756,444)	(397,761)	223,623	(555,839)	-	7,599
Cash and investments - ending	\$ 9,253	\$ 9,084,764	\$ 2,043,556	\$ 767,397	\$ 921,191	\$ 2,719,737	\$ 1,394	\$ 119,032

SCHOOL TOWN OF HIGHLAND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER
 FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2017

	Alternative Education 2014/2015 SY	Alternative Education 2015/2016 SY	Alternative Education 2016/2017 SY	SAFE School Haven 2015/2016 SY	Early Intervention Grant 2015	Early Intervention Grant 2016	Lowes Donation	Home Depot Donation
Cash and investments - beginning	\$ -	\$ 107,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	115,797	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	31,504	-	-	3,739	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	147,301	-	-	3,739	-	-
Disbursements:								
Current:								
Instruction	-	17,412	131,904	-	-	-	-	-
Support services	-	6,000	12,462	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	1,932	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	23,412	146,298	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	(23,412)	1,003	-	-	3,739	-	-
Other financing sources (uses):								
Transfers in	-	-	84,203	-	-	-	-	-
Transfers out	-	(84,203)	-	-	-	-	-	-
Total other financing sources (uses)	-	(84,203)	84,203	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(107,615)	85,206	-	-	3,739	-	-
Cash and investments - ending	\$ -	\$ -	\$ 85,206	\$ -	\$ -	\$ 3,739	\$ -	\$ -

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, 2017

	IN DOE Literacy	Lake County Substance Abuse Council Grant 2015/2016 SY	Lake County Substance Abuse Council Grant 2016/2017 SY	Formative Assessment	High Ability Grant 2015/2016 SY	High Ability Grant 2016/2017 SY	Computer Consortium/ Ed Tech Advance (3190)	Computer Consortium/ Ed Tech Advance (3191)
Cash and investments - beginning	\$ -	\$ 950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (64,959)
Receipts:								
Local sources	-	-	10,400	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	39,286	-	37,181	-	103,870
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	10,400	39,286	-	37,181	-	103,870
Disbursements:								
Current:								
Instruction	-	-	-	-	-	32,165	-	-
Support services	-	950	8,225	8,883	-	-	-	38,911
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	950	8,225	8,883	-	32,165	-	38,911
Excess (deficiency) of receipts over disbursements	-	(950)	2,175	30,403	-	5,016	-	64,959
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(17,409)	-	-	-	-
Total other financing sources (uses)	-	-	-	(17,409)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(950)	2,175	12,994	-	5,016	-	64,959
Cash and investments - ending	\$ -	\$ -	\$ 2,175	\$ 12,994	\$ -	\$ 5,016	\$ -	\$ -

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, 2017

	Computer Consortium/ Ed Tech Advance (3192)	Computer Consortium/ Ed Tech Advance (3193)	Education Technology (3199)	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999 (3716)	Non-English Speaking Programs P.L. 273-1999 (3717)	School Technology	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (50,000)	\$ -	\$ -	\$ 2,784	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	314,100	-	-	50,000	-	-	12,788	6,176
Federal sources	-	-	-	-	-	15,017	-	12,588
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	314,100	-	-	50,000	-	15,017	12,788	18,764
Disbursements:								
Current:								
Instruction	-	-	-	-	-	15,017	-	18,764
Support services	314,100	163,080	-	50,000	-	-	10,884	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	314,100	163,080	-	50,000	-	15,017	10,884	18,764
Excess (deficiency) of receipts over disbursements	-	(163,080)	-	-	-	-	1,904	-
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	-	(163,080)	-	-	-	-	1,904	-
Cash and investments - ending	\$ -	\$ (163,080)	\$ -	\$ (50,000)	\$ -	\$ -	\$ 4,688	\$ -

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, 2017

	Performance Based Awards (3750)	Performance Based Awards (3751)	Senator David Ford Technology	Title I - Grants to LEAs 14/15 (4114)	Title I - Grants to LEAs 15/16 (4115)	Title I - Grants to LEAs 16/17 (4116)	Title II Part A Improving Teacher Quality (6845)	Title II Part A Improving Teacher Quality (6846)
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (70,938)	\$ -	\$ -	\$ (3,527)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	161,282	-	-	-	-	-	-
Federal sources	-	-	-	-	95,960	237,006	-	26,126
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	161,282	-	-	95,960	237,006	-	26,126
Disbursements:								
Current:								
Instruction	-	-	-	-	20,783	248,963	-	12,387
Support services	-	161,282	-	-	4,239	11,744	-	10,212
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	161,282	-	-	25,022	260,707	-	22,599
Excess (deficiency) of receipts over disbursements	-	-	-	-	70,938	(23,701)	-	3,527
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	-	-	-	-	70,938	(23,701)	-	3,527
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,701)	\$ -	\$ -

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, 2017

	Title II Part A Improving Teacher Quality (6847)	Title III - Language Instruction 14/15 (6884)	Title III - Language Instruction 15/16 (6885)	Title III - Language Instruction 16/17 (6886)	Clearing Accounts (Fund 8100)	Food Service Clearing Account (Fund 8400)	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (119)	\$ -	\$ -	\$ 16,796	\$ 31,027,667
Receipts:							
Local sources	-	-	-	-	-	-	13,837,416
Intermediate sources	-	-	-	-	-	-	373,783
State sources	-	-	-	-	-	-	20,623,635
Federal sources	15,429	-	316	12,668	4,677,112	31,499	5,791,431
Temporary loans	-	-	-	-	-	-	2,800,000
Other	-	-	-	-	-	-	3,350
Total receipts	15,429	-	316	12,668	4,677,112	31,499	43,429,615
Disbursements:							
Current:							
Instruction	16,687	-	-	12,543	-	-	13,259,167
Support services	5,543	-	197	277	-	-	12,228,253
Noninstructional services	-	-	-	-	-	-	1,891,741
Facilities acquisition and construction	-	-	-	-	4,677,112	30,274	6,953,377
Debt service	-	-	-	-	-	-	8,484,497
Nonprogrammed charges	-	-	-	-	-	-	3,362,746
Total disbursements	22,230	-	197	12,820	4,677,112	30,274	46,179,781
Excess (deficiency) of receipts over disbursements	(6,801)	-	119	(152)	-	1,225	(2,750,166)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	134,850
Transfers out	-	-	-	-	-	-	(134,850)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,801)	-	119	(152)	-	1,225	(2,750,166)
Cash and investments - ending	\$ (6,801)	\$ -	\$ -	\$ (152)	\$ -	\$ 18,021	\$ 28,277,501

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SCHOOL TOWN OF HIGHLAND
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 8,661,940</u>	<u>\$ 243,735</u>

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Highland School Building Corporation	2008 Various Roof and Improvement Projects	\$ 709,000	01/15/2009	01/15/2022
Highland School Building Corporation	2012 Various Roof and Improvement Projects	179,000	07/15/2012	01/15/2023
Highland School Building Corporation	2013 Various Roof and Improvement Projects	3,315,000	06/30/2013	06/30/2020
Highland School Building Corporation	2016 Various Roof and Improvement Projects	<u>511,000</u>	06/30/2016	12/31/2035
Total of annual lease payments		<u>\$ 4,714,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General Obligation	Renovations, improvements and equipment for buildings	\$ 5,970,000	\$ 606,921
Tax Anticipation Warrants	Temporary Loans for Cash Flow Purposes	2,800,000	2,840,986
Notes and Loans Payable	Common School Loans for Technology	<u>1,543,408</u>	<u>547,007</u>
Totals		<u>\$ 10,313,408</u>	<u>\$ 3,994,915</u>

SCHOOL TOWN OF HIGHLAND
SCHEDULE OF CAPITAL ASSETS
June 30, 2017

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	102,932,217
Improvements other than buildings	1,025,933
Machinery, equipment, and vehicles	<u>10,997,446</u>
Total capital assets	<u>\$ 115,700,216</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015 to June 30, 2017.

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


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 the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 7, 2018

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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.

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SCHOOL TOWN OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended	Pass-Through To Subrecipient	Total Federal Awards Expended
Department of Agriculture							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY2016 and 2017	\$ -	\$ 98,817	\$ -	\$ 107,704
National School Lunch Program		10.555	FY2016 and 2017	-	546,683	-	560,006
National School Lunch Program - Commodities			FY2016 and 2017	-	98,546	-	106,238
Total - National School Lunch Program				-	645,229	-	666,244
Total - Child Nutrition Cluster				-	744,046	-	773,948
Total - Department of Agriculture				-	744,046	-	773,948
Department of Education							
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education_Grants to States							
IDEA Part B Section 611			14215-047-PN01	-	232,953	-	-
IDEA Part B Section 611			14216-047-PN01	-	407,182	-	251,480
IDEA Part B Section 611			14217-047-PN01	-	-	-	499,111
Total - Special Education_Grants to States				-	640,135	-	750,591
Special Education_Preschool Grants	Indiana Department of Education	84.173					
IDEA Part B Section 619			45715-047-PN01	-	4,403	-	-
IDEA Part B Section 619			45716-047-PN01	-	9,110	-	5,555
IDEA Part B Section 619			45717-047-PN01	-	-	-	7,882
Total - Special Education_Preschool Grants				-	13,513	-	13,437
Total - Special Education Cluster (IDEA)				-	653,648	-	764,028
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I (15-4720)			FY2015	-	73,192	-	-
Title I (16-4720)			FY2016	-	274,689	-	95,960
Title I (17-4720)			FY2017	-	-	-	237,006
Total - Title I Grants to Local Educational Agencies				-	347,881	-	332,966
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III (14/15 -4720)			FY2015	-	1,370	-	-
Title III (15/16 - 4720)			FY2016	-	14,752	-	316
Title III (16/17-4720)			FY2017	-	-	-	12,668
Total - English Language Acquisition State Grants				-	16,122	-	12,984
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II-A (14-15 - 4720)			FY2015	-	6,574	-	-
Title II-A (15/16 - 4720)			FY2016	-	43,000	-	26,126
Title II-A (16/17 - 4720)			FY2017	-	-	-	15,429
Total - Supporting Effective Instruction State Grants				-	49,574	-	41,555
Total - Department of Education				-	1,067,225	-	1,151,533
Total federal awards expended				\$ -	\$ 1,811,271	\$ -	\$ 1,925,481

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, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 the Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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?	no

Federal Awards:

Internal control over major programs:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source of the SEFA. One employee prepared the grant information for the federal awards without a system of oversight or review to detect and correct errors before submission.

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

Context

This was a systemic issue, as there was not a proper system of controls in place.

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. . . ."

Cause

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

Effect

The failure to establish internal controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure federal expenditures are properly reported on the SEFA.

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

No matters are reportable.

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

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

Administration

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

Board of Trustees

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

Summary Schedule of Prior Audit Findings

FINDING 2015-001 Internal Controls and Compliance Over Financial Transactions

Fiscal Year in which the finding occurred: Ending June 30, 2014 & 2015
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer
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 Implemented:

1. Receipts: The School Town of Highland adjusted their internal control process to address the lack of segregation of duties in the receipting process. Beginning July 1, 2017, the Corporation Treasurer prepares the deposit slip, takes the deposit to the bank and delivers the documentation to the Deputy Treasurer. The Deputy Treasurer then records the receipts in the financial software and prepares the bank reconciliations each month.
2.
 - a. The Accounts Payable/Payroll Specialist has been notified of the proper procedure of obtaining department approval prior to allowing payment of a claim or invoice. This individual retired and her replacement was notified of this internal control procedure as well.
 - b. On May 15, 2017, the Board of School Trustees approved the procedure of preparing the board docket for the Accounts Payable Claims by producing the checks through the financial software prior to the board meeting in order to obtain a complete listing of all payments needing approval. The checks are then locked in the safe until they are approved by the School Board at our monthly meetings. If all claims are approved by the Board, the checks are mailed the following morning. If the board denies the payment of a claim, that particular check is voided before it leaves this office.
3. The Superintendent/Human Resource Secretary continues to verify the validity of the payroll that was input by comparing the trial payroll with the previous payroll docket. She is now required to sign the register indicating her review. The payroll department keeps this documentation in the payroll file to support the accuracy of the payroll.

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer
January 10, 2018

SCHOOL TOWN OF HIGHLAND

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Vicki Crowel, Member
Robert Kuva, Member

Summary Schedule of Prior Audit Findings

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

Fiscal Year in which the finding occurred: Ending June 30, 2014 & 2015
Pass-Through Entity: Indiana Department of Education/National School Lunch Program
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer
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 Implemented:

1. Equipment: Effective July 1, 2017, the Food Service Director (FSD) attends the annual fixed asset meeting with our vendor providing these services. The FSD prepares the list of additions and deletions to the fixed asset inventory that were purchased with federal funds. The fixed asset vendor will record such assets as being federally funded as applicable. Following the receipt of the interim final report from the vendor, the fixed asset committee (now including the FSD) verifies the accuracy of the additions and deletions. If all is in compliance, the vendor will be notified that the committee has verified and accepted this as the final report.
2. a. Annual Financial Report: The Annual Financial Report is 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 is 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 calculation is 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.

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer
January 10, 2018

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Summary Schedule of Prior Audit Findings

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

Fiscal Year in which the finding occurred: Ending June 30, 2014 & 2015
Pass-Through Entity: Indiana Department of Education/ National School Breakfast & Lunch Program
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer
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 Implemented:

Cash Management: Additional funds were accumulated to renovate the serving lines and to purchase necessary equipment. We have now completed these renovations as of December 31, 2017.

The cash balance on 3/31/17 was \$761,857. The average monthly expenditure for the 2016/2017 school year is \$147,482, so the three month average expenditure and target cash balance is \$442,445.

The ending cash balance in the Food Service Fund on 12/31/17 was \$382,575. The district is now in compliance with 7 CFR 220.7(e).

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer
January 10, 2018

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Summary Schedule of Prior Audit Findings

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

Fiscal Year in which the finding occurred: Ending June 30, 2014 & 2015
Pass-Through Entity: Indiana Department of Education/ National School Breakfast & Lunch Program
Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer
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.

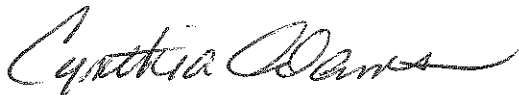
Description of Corrective Action Implemented:

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 finding mentioned that the Northwest Indiana Educational Service Center (NWIESC) complied with this requirement for the grocery, commodity, milk, and bread vendors. However, 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 and attach such certification from HPS when she requests board approval of the grocery, commodity, milk and bread bids.

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer
January 10, 2018

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Summary Schedule of Prior Audit Findings

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

Fiscal Year in which the finding occurred: Ending June 30, 2014 & 2015

Pass-Through Entity: Indiana Department of Education/ Title I Grants to Local Educational Agencies

Contact Person Responsible for Corrective Action: Cynthia Adams, Treasurer

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 Implemented:

1. Eligibility: The eligibility worksheet was revised to include a section for the Title I Coordinator to indicate that she has reviewed the form and agrees with the results and require her signature indicating her approval.
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 as the original copy had.

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 still 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 is now 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 are maintained at the building level. The form was 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 for three years.

Thank you,



Cynthia Adams
Director of Finance & Operations/Treasurer
January 10, 2018

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CORRECTIVE ACTION PLAN

FINDING 2017-001

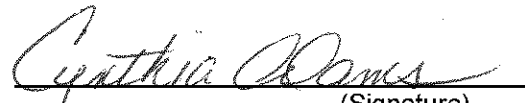
The Auditor noted that the School Town of Highland did not have a sufficient internal control procedure in place for completing the Schedule of Expenditures of Federal Awards (SEFA) report. The treasurer completed the report, but neglected to have another person review and approve the report prior to submission to the state.

Description of Corrective Action Plan:

The district will change the internal control procedure to include the requirement that the deputy treasurer is responsible to review the completed report and to correct any errors prior to submission to the state. The deputy treasurer will sign the report indicating her review of the data and her oversight.

Anticipated Completion Date:

The procedure is effective immediately and will be implemented on the June 30, 2018 SEFA report filed through Gateway.


(Signature)

Director of Finance & Operations

(Title)

March 1, 2018

(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/>.