

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

RIVER FOREST COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
04/20/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	20-27
Schedule of Leases and Debt	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	32-34
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	36-37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-56
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	58-63
Corrective Action Plan	64-71
Other Reports.....	72

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynne M. Styx	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Steven C. Disney, Jr.	07-01-15 to 06-30-18
President of the School Board	H. Marshall Gilliana, II	07-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the River Forest Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 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 (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 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 and the Schedule of Leases and Debt, 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 6, 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 6, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the River Forest Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated March 6, 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 items 2017-001 and 2017-002, that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002.

River Forest Community School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 6, 2018

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

RIVER FOREST COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 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	\$ 758,199	\$ 10,634,336	\$ 10,357,830	\$ -	\$ 1,034,705	\$ 11,203,188	\$ 11,722,479	\$ -	\$ 515,414
Referendum Tax Levy	-	381,372	137,713	-	243,659	747,598	738,397	-	252,860
Debt Service	238,780	234,902	259,508	-	214,174	332,444	301,755	-	244,863
Exempt Debt	629,878	1,288,880	1,357,980	-	560,778	1,160,269	1,298,509	-	422,538
Exempt Pension Debt	20,808	41,584	44,096	-	18,296	35,921	38,942	-	15,275
Capital Projects	49,565	464,799	63,439	-	450,925	461,517	466,433	-	446,009
School Transportation	82,045	544,861	523,441	(50,000)	53,465	506,645	577,617	-	(17,507)
School Bus Replacement	109,452	96,702	117,408	-	88,746	99,271	109,864	-	78,153
Rainy Day	190,027	-	122,896	50,000	117,131	172,339	-	-	289,470
School Lunch	(131,994)	1,150,222	867,519	-	150,709	892,422	951,749	-	91,382
Textbook Rental	436,662	211,582	114,512	-	533,732	176,703	314,985	-	395,450
Self-Insurance	842,009	7,210	558,178	-	291,041	46,087	19,212	-	317,916
Levy Excess	-	326	-	-	326	-	-	-	326
Educational License Plates	-	56	-	-	56	-	-	-	56
Early Intervention Grant	10,377	29,204	19,579	-	20,002	2	20,004	-	-
1934 Early Intervention Grant	440	-	-	-	440	8,288	4,623	-	4,105
School Intervention and Career Counseling	-	-	-	-	-	30,000	14,046	-	15,954
Construction, Remodeling, and Equipping Buildings	3,850	19,513	-	-	23,363	-	25,993	-	(2,630)
Donations	8,676	10,951	9,416	-	10,211	8,050	10,996	-	7,265
Instructional Support	-	16,259	15,284	-	975	19,666	18,072	-	2,569
Computer Consortium/Ed Tech Advance	-	138,100	138,100	-	-	-	-	-	-
Non-English Speaking Programs	-	29,258	-	-	29,258	31,210	29,785	-	30,683
Performance Based Awards	-	20,978	25,676	-	(4,698)	-	-	-	(4,698)
Miscellaneous Programs	21,146	30,832	36,418	-	15,560	31,019	36,567	-	10,012
Senator David Ford Technology	-	-	-	-	-	-	28,085	-	(28,085)
Title I	(52,322)	529,041	613,259	-	(136,540)	609,291	680,095	-	(207,344)
Carl Perkins Vocational Ed	-	-	8,772	-	(8,772)	42,329	35,952	-	(2,395)
Improving Teacher Quality, No Child Left, Title II, Part A	(3,552)	38,560	41,233	-	(6,225)	37,364	57,467	-	(26,328)
Title III - English Proficiency Migrant	(5,747)	44,042	41,272	-	(2,977)	10,516	19,812	-	(12,273)
Clearing	86,413	2,330,946	2,326,724	-	90,635	2,659,345	2,707,641	-	42,339
Prepaid Food	53,994	69,528	126,637	-	(3,115)	82,922	64,601	-	15,206
Fringe Benefit Clearing	(1,491)	14,900	15,776	-	(2,367)	3,419	1,052	-	-
Totals	\$ 3,347,215	\$ 18,378,944	\$ 17,942,666	\$ -	\$ 3,783,493	\$ 19,407,825	\$ 20,294,733	\$ -	\$ 2,896,585

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

RIVER FOREST COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
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:

RIVER FOREST COMMUNITY SCHOOL CORPORATION
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 January 1, 2016 and January 1 in a year beginning after December 31, 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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
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. Several cash balance deficits were the result of timing of reimbursements for grant funds. The School Transportation fund had a negative balance due to lack of tax revenues; this was corrected by transferring some expenses to the General fund.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with the Meister School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments will begin on July 15, 2017.

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

Note 9. Other Postemployment Benefits

The School Corporation provides to eligible retirees the following benefits: health insurance at the current single rate until the age of 65. No employees will be eligible for this benefit after 2017. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 10. Combined Funds

Funds that were reported combined in the prior financial statement were reported individually in the current financial statement. The 2910 Donations fund is now reported as the Construction, Remodeling, and Equipping Buildings and Donations funds.

(This page intentionally left blank.)

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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 758,199	\$ -	\$ 238,780	\$ 629,878	\$ 20,808	\$ 49,565	\$ 82,045	\$ 109,452	\$ 190,027
Receipts:									
Local sources	66,725	381,372	234,902	1,288,880	41,584	464,799	544,861	96,702	-
Intermediate sources	173,110	-	-	-	-	-	-	-	-
State sources	10,374,895	-	-	-	-	-	-	-	-
Federal sources	19,606	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	10,634,336	381,372	234,902	1,288,880	41,584	464,799	544,861	96,702	-
Disbursements:									
Instruction	5,771,182	64,823	-	-	-	-	-	-	-
Support services	4,322,631	2,590	-	-	-	(8,753)	523,441	117,408	122,896
Noninstructional services	264,017	70,300	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	72,192	-	-	-
Debt service	-	-	259,508	1,357,980	44,096	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	10,357,830	137,713	259,508	1,357,980	44,096	63,439	523,441	117,408	122,896
Excess (deficiency) of receipts over disbursements	276,506	243,659	(24,606)	(69,100)	(2,512)	401,360	21,420	(20,706)	(122,896)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	-	(50,000)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(50,000)	-	50,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	276,506	243,659	(24,606)	(69,100)	(2,512)	401,360	(28,580)	(20,706)	(72,896)
Cash and investments - ending	\$ 1,034,705	\$ 243,659	\$ 214,174	\$ 560,778	\$ 18,296	\$ 450,925	\$ 53,465	\$ 88,746	\$ 117,131

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	1934 Early Intervention Grant	School Intervention and Career Counseling
Cash and investments - beginning	\$ (131,994)	\$ 436,662	\$ 842,009	\$ -	\$ -	\$ 10,377	\$ 440	\$ -
Receipts:								
Local sources	129,707	23,008	7,210	326	-	-	-	-
Intermediate sources	-	-	-	-	56	-	-	-
State sources	3,113	93,574	-	-	-	29,204	-	-
Federal sources	1,017,402	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	95,000	-	-	-	-	-	-
Total receipts	1,150,222	211,582	7,210	326	56	29,204	-	-
Disbursements:								
Instruction	-	-	-	-	-	12,755	-	-
Support services	10,202	114,512	5,041	-	-	6,824	-	-
Noninstructional services	847,345	-	-	-	-	-	-	-
Facilities acquisition and construction	9,972	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	553,137	-	-	-	-	-
Total disbursements	867,519	114,512	558,178	-	-	19,579	-	-
Excess (deficiency) of receipts over disbursements	282,703	97,070	(550,968)	326	56	9,625	-	-
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	282,703	97,070	(550,968)	326	56	9,625	-	-
Cash and investments - ending	\$ 150,709	\$ 533,732	\$ 291,041	\$ 326	\$ 56	\$ 20,002	\$ 440	\$ -

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Construction, Remodeling, and Equipping Buildings	Donations	Instructional Support	Computer Consortium/ Ed Tech Advance	Non-English Speaking Programs	Performance Based Awards	Miscellaneous Programs	Senator David Ford Technology
Cash and investments - beginning	\$ 3,850	\$ 8,676	\$ -	\$ -	\$ -	\$ -	\$ 21,146	\$ -
Receipts:								
Local sources	19,513	10,951	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	16,259	-	29,258	20,978	30,832	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	138,100	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	19,513	10,951	16,259	138,100	29,258	20,978	30,832	-
Disbursements:								
Instruction	-	4,416	-	-	-	25,676	36,418	-
Support services	-	50	15,284	138,100	-	-	-	-
Noninstructional services	-	4,950	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	9,416	15,284	138,100	-	25,676	36,418	-
Excess (deficiency) of receipts over disbursements	19,513	1,535	975	-	29,258	(4,698)	(5,586)	-
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	19,513	1,535	975	-	29,258	(4,698)	(5,586)	-
Cash and investments - ending	\$ 23,363	\$ 10,211	\$ 975	\$ -	\$ 29,258	\$ (4,698)	\$ 15,560	\$ -

RIVER FOREST COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Title I	Carl Perkins Vocational Ed	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Clearing	Prepaid Food	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ (52,322)	\$ -	\$ (3,552)	\$ (5,747)	\$ 86,413	\$ 53,994	\$ (1,491)	\$ 3,347,215
Receipts:								
Local sources	-	-	-	-	-	-	-	3,310,540
Intermediate sources	-	-	-	-	-	-	-	173,166
State sources	-	-	-	-	-	-	-	10,598,113
Federal sources	529,041	-	38,560	44,042	-	-	-	1,648,651
Temporary loans	-	-	-	-	-	-	-	138,100
Other receipts	-	-	-	-	2,330,946	69,528	14,900	2,510,374
Total receipts	529,041	-	38,560	44,042	2,330,946	69,528	14,900	18,378,944
Disbursements:								
Instruction	517,027	8,772	41,233	27,554	-	-	-	6,509,856
Support services	92,971	-	-	13,718	-	-	-	5,476,915
Noninstructional services	3,261	-	-	-	-	-	-	1,189,873
Facilities acquisition and construction	-	-	-	-	-	-	-	82,164
Debt service	-	-	-	-	-	-	-	1,661,584
Nonprogrammed charges	-	-	-	-	2,326,724	126,637	15,776	3,022,274
Total disbursements	613,259	8,772	41,233	41,272	2,326,724	126,637	15,776	17,942,666
Excess (deficiency) of receipts over disbursements	(84,218)	(8,772)	(2,673)	2,770	4,222	(57,109)	(876)	436,278
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	-	-	(50,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(84,218)	(8,772)	(2,673)	2,770	4,222	(57,109)	(876)	436,278
Cash and investments - ending	\$ (136,540)	\$ (8,772)	\$ (6,225)	\$ (2,977)	\$ 90,635	\$ (3,115)	\$ (2,367)	\$ 3,783,493

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

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 1,034,705	\$ 243,659	\$ 214,174	\$ 560,778	\$ 18,296	\$ 450,925	\$ 53,465	\$ 88,746	\$ 117,131
Receipts:									
Local sources	72,236	643,078	332,444	1,160,269	35,921	461,517	506,645	99,271	-
Intermediate sources	129,447	-	-	-	-	-	-	-	172,339
State sources	11,001,505	104,520	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	11,203,188	747,598	332,444	1,160,269	35,921	461,517	506,645	99,271	172,339
Disbursements:									
Instruction	6,578,057	252,521	-	-	-	-	-	-	-
Support services	5,026,955	168,486	-	-	-	239,687	577,617	109,864	-
Noninstructional services	116,349	211,565	-	-	-	-	-	-	-
Facilities acquisition and construction	1,118	105,825	-	-	-	226,746	-	-	-
Debt service	-	-	301,755	1,298,509	38,942	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,722,479	738,397	301,755	1,298,509	38,942	466,433	577,617	109,864	-
Excess (deficiency) of receipts over disbursements	(519,291)	9,201	30,689	(138,240)	(3,021)	(4,916)	(70,972)	(10,593)	172,339
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	(519,291)	9,201	30,689	(138,240)	(3,021)	(4,916)	(70,972)	(10,593)	172,339
Cash and investments - ending	\$ 515,414	\$ 252,860	\$ 244,863	\$ 422,538	\$ 15,275	\$ 446,009	\$ (17,507)	\$ 78,153	\$ 289,470

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	1934 Early Intervention Grant	School Intervention and Career Counseling
Cash and investments - beginning	\$ 150,709	\$ 533,732	\$ 291,041	\$ 326	\$ 56	\$ 20,002	\$ 440	\$ -
Receipts:								
Local sources	82,884	13,295	46,087	-	-	-	-	30,000
Intermediate sources	-	-	-	-	-	-	-	-
State sources	2,252	99,169	-	-	-	2	8,288	-
Federal sources	807,286	-	-	-	-	-	-	-
Other receipts	-	64,239	-	-	-	-	-	-
Total receipts	892,422	176,703	46,087	-	-	2	8,288	30,000
Disbursements:								
Instruction	-	-	-	-	-	12,450	4,623	-
Support services	1,979	314,985	4,620	-	-	7,554	-	14,046
Noninstructional services	949,770	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	14,592	-	-	-	-	-
Total disbursements	951,749	314,985	19,212	-	-	20,004	4,623	14,046
Excess (deficiency) of receipts over disbursements	(59,327)	(138,282)	26,875	-	-	(20,002)	3,665	15,954
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	(59,327)	(138,282)	26,875	-	-	(20,002)	3,665	15,954
Cash and investments - ending	\$ 91,382	\$ 395,450	\$ 317,916	\$ 326	\$ 56	\$ -	\$ 4,105	\$ 15,954

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

	Construction, Remodeling, and Equipping Buildings	Donations	Instructional Support	Computer Consortium/ Ed Tech Advance	Non-English Speaking Programs	Performance Based Awards	Miscellaneous Programs	Senator David Ford Technology
Cash and investments - beginning	\$ 23,363	\$ 10,211	\$ 975	\$ -	\$ 29,258	\$ (4,698)	\$ 15,560	\$ -
Receipts:								
Local sources	-	8,050	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	19,666	-	31,210	-	31,019	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	8,050	19,666	-	31,210	-	31,019	-
Disbursements:								
Instruction	-	9,433	-	-	29,650	-	36,567	54
Support services	-	100	18,072	-	-	-	-	28,031
Noninstructional services	-	1,463	-	-	135	-	-	-
Facilities acquisition and construction	25,993	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	25,993	10,996	18,072	-	29,785	-	36,567	28,085
Excess (deficiency) of receipts over disbursements	(25,993)	(2,946)	1,594	-	1,425	-	(5,548)	(28,085)
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	(25,993)	(2,946)	1,594	-	1,425	-	(5,548)	(28,085)
Cash and investments - ending	\$ (2,630)	\$ 7,265	\$ 2,569	\$ -	\$ 30,683	\$ (4,698)	\$ 10,012	\$ (28,085)

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

	Title I	Carl Perkins Vocational Ed	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Clearing	Prepaid Food	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ (136,540)	\$ (8,772)	\$ (6,225)	\$ (2,977)	\$ 90,635	\$ (3,115)	\$ (2,367)	\$ 3,783,493
Receipts:								
Local sources	-	42,329	-	-	-	-	-	3,534,026
Intermediate sources	-	-	-	-	-	-	-	301,786
State sources	-	-	-	-	-	-	-	11,297,631
Federal sources	609,291	-	37,364	10,516	-	-	-	1,464,457
Other receipts	-	-	-	-	2,659,345	82,922	3,419	2,809,925
Total receipts	609,291	42,329	37,364	10,516	2,659,345	82,922	3,419	19,407,825
Disbursements:								
Instruction	580,567	35,154	57,467	14,119	-	-	-	7,610,662
Support services	98,990	798	-	5,693	-	-	-	6,617,477
Noninstructional services	538	-	-	-	-	-	-	1,279,820
Facilities acquisition and construction	-	-	-	-	-	-	-	359,682
Debt service	-	-	-	-	-	-	-	1,639,206
Nonprogrammed charges	-	-	-	-	2,707,641	64,601	1,052	2,787,886
Total disbursements	680,095	35,952	57,467	19,812	2,707,641	64,601	1,052	20,294,733
Excess (deficiency) of receipts over disbursements	(70,804)	6,377	(20,103)	(9,296)	(48,296)	18,321	2,367	(886,908)
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	(70,804)	6,377	(20,103)	(9,296)	(48,296)	18,321	2,367	(886,908)
Cash and investments - ending	\$ (207,344)	\$ (2,395)	\$ (26,328)	\$ (12,273)	\$ 42,339	\$ 15,206	\$ -	\$ 2,896,585

(This page intentionally left blank.)

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Meister School Building Corporation	Rennovations	\$ <u>273,500</u>	07/15/2017	01/15/2025

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension Bonds	\$ 57,070	\$ 36,777
Notes and loans payable	Veterans Memorial - Canopy	2,981	3,010
Notes and loans payable	Common School Construction Loan A0533	8,109,768	842,369
Notes and loans payable	Common School Construction Loan A0550	2,266,000	294,580
Notes and loans payable	Common School Construction Loan A0565	67,833	14,923
Notes and loans payable	Common School Construction Loan A0589	35,714	37,975
Notes and loans payable	Common School Construction Loan A0594	245,250	63,765
Notes and loans payable	Common School Technology Loan A1754	41,880	28,269
Notes and loans payable	Common School Technology Loan A1843	79,860	27,352
Notes and loans payable	Common School Technology Loan A1948	124,290	28,794
Notes and loans payable	High School Renovation - Fire Damage	<u>297,500</u>	<u>37,975</u>
Totals		<u>\$ 11,328,146</u>	<u>\$ 1,415,789</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the River Forest Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *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.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in item 2017-007 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Title I Grants to Local Educational Agencies regarding Eligibility. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

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

As described in item 2017-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2017-004 and 2017-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/ Cost Principles and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the effects of such noncompliance, if any, that might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Title I Grants to Local Educational Agencies regarding Eligibility, and except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraphs, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2015 to June 30, 2017.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2015 to June 30, 2017.

Other Matters

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.


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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 6, 2018

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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Pass-Through To Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster	Indiana Department of Education						
School Breakfast Program		10.553	FY 16 and 17	\$ -	\$ 219,649	\$ -	\$ 167,288
National School Lunch Program		10.555	FY 16 and 17	-	762,699	-	612,169
National School Lunch Program-Commodities			FY 16 and 17	-	50,955	-	51,175
Total - National School Lunch Program				-	813,654	-	663,344
Summer Food Service Program for Children		10.559	FY 16 and 17	-	35,957	-	27,829
Total - Child Nutrition Cluster				-	1,069,260	-	858,461
Total - Department of Agriculture				-	1,069,260	-	858,461
<u>Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	15-4590	-	153,378	-	-
Title I			16-4590	-	375,662	-	220,408
Title I			17-4590	-	-	-	388,883
Total - Title I Grants to Local Educational Agencies				-	529,040	-	609,291
Special Education Cluster (IDEA)	Indiana Department of Education						
Special Education_Grants to States		84.027	14215-047-PN01	-	119,401	-	-
			14216-045-PN01	-	208,391	-	128,705
			14217-045-PN01	-	-	-	262,212
Total - Special Education_Grants to States				-	327,792	-	390,917

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2016 and 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Pass-Through To Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Special Education_Preschool Grants		84.173	45715-047-PN01	-	3,654	-	-
			45716-045-PN01	-	7,566	-	4,614
			45717-045-PN01	-	-	-	6,438
Total - Special Education_Preschool Grants				-	11,220	-	11,052
Total - Special Education Cluster (IDEA)				-	339,012	-	401,969
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			01115-047-PN01	-	16,372	-	10,516
Title III			01114-068-PN01	-	15,202	-	-
Title III			01116-048-PN01	-	12,468	-	-
Total - English Lanuage Acquisition State Grants				-	44,042	-	10,516
Supportive Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II			S367A150015	-	27,836	-	37,364
Title II			01113-044-PN01	-	10,723	-	-
Total - Supportive Effective Instruction State Grants				-	38,559	-	37,364
Total - Department of Education				-	950,653	-	1,059,140
Total federal awards expended				\$ -	\$ 2,019,913	\$ -	\$ 1,917,601

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (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.

RIVER FOREST COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Qualified
84.010	Title I Grants to Local Educational Agencies	Qualified

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: Financial Transactions
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-001.

Condition

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

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

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, vendor disbursements, and payroll disbursements.

Receipts - One employee issued, recorded, reconciled, and reported receipts without evidence of an oversight, review, or approval process.

Vendor Disbursements - One employee prepared and recorded the accounts payable vouchers without evidence of a proper system of oversight or review to ensure that vendor disbursements were accurately recorded in the proper funds.

Payroll Disbursements - One employee entered the wages for the salaried employees into the computerized accounting system upon hiring without evidence of a proper system of oversight or review to ensure that salaried employees were paid the correct amounts from the proper funds. One employee initiated, approved, recorded, and reconciled payroll transactions. The process lacked adequate oversight and approval of the transactions and reports generated based on the transactions.

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal controls had not been conducted. Additionally, the School Corporation had no process to identify or communicate corrective actions to improve controls.

Context

The lack of controls and monitoring of controls were systemic issues during the second year of the audit period, coinciding with the conversion to a new computerized accounting system.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

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

Cause

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted.

Effect

The failure to establish and monitor controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish and properly monitor the system of internal controls to ensure that financial transactions are properly recorded.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-002.

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 was 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.

Context

Due to the lack of controls, the following errors resulted in the understatement of the SEFA by \$614,705 and \$515,357 as of June 30, 2016 and 2017, respectively.

1. The School Breakfast Program and National School Lunch Program expenditures were understated by \$59,652 and \$175,634, respectively, for the 2015-2016 school year.

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

2. The Special Education_Grants to States program was omitted from the SEFA, which understated the federal expenditures by \$327,792 and \$390,917 for the 2015-2016 and 2016-2017 school years, respectively. The Special Education_Preschool Grants program was omitted from the SEFA, which understated the federal expenditures by \$11,220 and \$11,052 for the 2015-2016 and 2016-2017 school years, respectively.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$41,656 and \$136,129 for the 2015-2016 and 2016-2017 school years, respectively.
4. The English Language Acquisition State Grants expenditures were understated by \$27,881 for the 2015-2016 school year.
5. The Supporting Effective Instruction State Grant expenditures were understated by \$128 and \$8,469 for the 2015-2016 and 2016-2017 school years, respectively.
6. Some nonfederal grant activity for the 2015-2016 and 2016-2017 school years was reported in error on the SEFA totaling \$29,258 and \$31,210, respectively.
7. Three of the federal programs did not have the correct program title and one grant had the wrong CFDA number.

Audit adjustments were proposed, approved by the School Corporation, and made to the SEFA.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

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

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

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-003

Subject: Child Nutrition Cluster - Cash Management, Eligibility, Reporting, Special Tests and Provisions - School Food Accounts, School Breakfast Program, National School Lunch Program - Program Income, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16 and 17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding the Cash Management, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements. The prior audit finding numbers were 2015-009, 2015-008, and 2015-005.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions- Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Cash Management

The School Corporation had not established procedures to monitor the School Lunch fund monthly cash balances to ensure that they were limited to three months average expenditures. A review process was not established to document the monitoring of the cash balances.

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

Eligibility

The School Corporation used a food service software which automatically made the eligibility determinations dependent upon the information entered into the software. The Food Service Director manually entered the federal income guidelines parameters into the food service software system without a proper system of oversight or review.

Program Income

The School Corporation had no evidence of controls to ensure that receipts generated from the cafeteria sales were properly recorded.

Reporting

The Food Service Director and the Treasurer worked together to prepare the Annual Financial Report. An oversight or review process had not been established to ensure the final report amounts were accurate prior to submission.

The Food Service Director prepared the School Food Authority (SFA) Verification Collection Report after completing the verification process without a proper system of oversight or review process to ensure the accuracy of the report.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

There was no documentation that an oversight or review process had been established to ensure the accuracy of the verifications performed.

Special Tests and Provisions - School Food Accounts

A school food account had been established for the School Corporation; however, an oversight or review process of the amounts recorded in the school food account had not been established.

Special Tests and Provisions - Paid Lunch Equity

The Food Service Director completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements noted above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16 and 17
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

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

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The Food Service Director prepared and signed the accounts payable vouchers indicating that the purchase was for an allowable activity and met the requirements for an allowable costs/costs principles. In addition, the Food Service Director reviewed and approved the food service employees' hours worked prior to the Deputy Treasurer processing and posting of payroll costs.

However, a review or oversight process was not established to ensure that only those accounts payable vouchers or food service employees' payroll approved by the Food Service Director were recorded in the School Lunch fund.

The following disbursements recorded in the School Lunch fund, which accounted for the Child Nutrition Cluster Programs, failed to comply with Activities Allowed or Unallowed and Allowable Costs/Costs Principles.

The School Corporation employed playground aides that supervised children in the lunchroom as well as on the playground. In March of 2016, the School Corporation split the salary of the playground aides; 80 percent charged to the School Lunch fund and 20 percent charged to the General fund. There was no supporting documentation to document how the School Corporation determined the percentages for these employees. The playground aides' time-sheets did not indicate the actual time spent in the lunchroom.

In addition, there was no supporting documentation for a custodian's salary paid from the School Lunch fund for time spent cleaning the lunchroom. The custodian's timesheet reflected time split between playground and custodian class 1, which was the time spent cleaning other parts of the school but not the lunchroom.

These errors resulted in known questioned costs of \$36,441. When the sample errors noted above were projected to the population as a whole, additional likely errors of \$129,322 were identified.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period.

Criteria

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment A, Part C. states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular. . . ."

OMB Circular A-87, Attachment B, section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

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

Questioned Costs

Known questioned costs of \$36,441 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

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

FINDING 2017-005

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16 and 17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-009.

Condition

The School Corporation had not established an effective internal controls system related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

For the 2015-2016 and 2016-2017 fiscal years, the School Corporation contracted with a third-party purchasing service for food products, materials, and supplies. The School Board did not approve the contract with the purchasing service. An oversight, review, or approval process had not been established to ensure compliance with the applicable local, state, and federal laws regarding procurement requirements.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

7 CFR 3016.36(b) states in part:

Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

The School Corporation Bylaws and Policies, Policy 6440 – COOPERATIVE PURCHASING states: "Cooperative or joint purchases require an agreement approved by the Board and the participating contracting body(ies) which shall specify the categories of equipment and supplies to be purchased; . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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

FINDING 2017-006

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, Special Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-4590, 16-4590, 17-4590

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Comparability compliance requirements. The prior audit finding number was Finding 2015-010.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, and Special Tests and Provisions - Assessment System Security.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

One individual prepared the accounts payable vouchers without a proper system of oversight or review to ensure that the disbursements recorded in the grant funds were only for allowable activities and were for allowable costs per the grant agreement.

A proper system of oversight or review was not established to ensure that the payroll and related benefits recorded in the grant funds were only for allowable activities and for allowable costs per the grant agreement.

Special Tests and Provisions - Comparability

The Comparability Report was compiled and submitted by one individual without evidence of a proper system of oversight or review before submission.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation used a "New Teacher" checklist along with a "Highly Qualified" form to verify that the newly-hired teachers and paraprofessionals were highly qualified. However, the control was not effective since the checklists and/or forms were not completed consistently.

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

Special Tests and Provisions - Assessment System Security

The School Corporation had a chain of custody checklist which was initialed once test documents were transferred between individuals. However, the control was not effective since not all checklist forms were completed or provided.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls to ensure compliance with the grant agreement and the compliance requirements noted above.

Effect

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

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, and Special Tests and Provisions - Assessment System Security compliance requirements.

Views of Responsible Officials

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

FINDING 2017-007

Subject: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers or Years (or Other Identifying Numbers): 15-4590, 16-4590, 17-4590

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was Finding 2015-011.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

An oversight or review process was not established for the targeted assistance eligibility determinations for the Middle School for the 2015-2016 fiscal year. Sufficient appropriate audit evidence could not be obtained to verify that only eligible students were provided services for the Middle School for the 2015-2016 fiscal year.

The School Corporation did not have an effective system of internal controls over the eligibility summary portion of the Title I grant application. The School Corporation had not retained the supporting documentation for the eligibility summary to support the public poverty data for the 2015-2016 grant application. For the 2016-2017 grant application, the supporting documentation of the public poverty data provided did not materially agree to the public poverty data for each school within the grant application.

Context

The lack of controls was a systemic issue throughout the audit period. The failure to provide evidence of compliance with targeted assistance determinations was isolated to the 2015-2016 fiscal year for the Middle School only. The lack of supporting documentation for the eligibility summary applied to the 2015-2016 grant year. The noncompliance with the eligibility summary applied to the 2016-2017 grant year.

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years from the starting date . . ."

34 CFR 200.78(a) states in part:

"(1) An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school.

(2)

(i) In calculating the total number of children from low-income families, the LEA must include children from low-income families who attend private schools.

(ii) To obtain a count of private school children, the LEA may—

(A) Use the same poverty data the LEA uses to count public school children; . . ."

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured that records were maintained and made available for audit and would have ensured compliance with the Eligibility compliance requirement.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the eligibility requirements of the program for the 2015-2016 grant year. The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that eligibility records are maintained and available for audit, and ensure compliance with the Eligibility compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Summary Schedule of Prior Audit Findings

FINDING 2015-001 – Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has put additional internal controls in place to ensure that adequate oversight has been noted by initials on the Form 9.

Completed February 2016

Management will put into place an internal control procedure where the department heads and/or confidential secretaries will review payroll once entered into the system. A system will be in place that the reviewer signs off either electronically or manually.

Estimated completion April 2018

A periodic review of monitoring will be performed over the system of internal controls.

Estimated completion June 2018

Management will put into place an internal control procedure where there is evidence of review for receipts collected, deposited and recorded. A monthly receipt audit will be signed off by the Deputy Treasurer.

Estimated completion April 2018

FINDING 2015-002 – Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management will put into place an internal control procedure whereas the Assistant Superintendent/Grant Supervisor will verify the accuracy of the SEFA and indicate he has done so by a signature.

Anticipated Completion: August 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-003 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions School Food Accounts

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has evaluated staffing in regards to time spent for student nutrition duties and general supervisory duties and will separate such in each employees time reporting and cost distribution via payroll.

Estimated Completion: March 2018

The corporation Treasurer or department head will review and sign off each payroll prepared by the Deputy Treasurer as evidence of proper internal control procedures.

Estimated completion March 2018

FINDING 2015-004 – Eligibility

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has put into place internal controls whereas free and reduced applications are processed and verified by at least two food service employees. In addition all approvals or denials are reviewed and verified by the Food Service Director. Management has also established an effective recordkeeping system to ensure that applications and verifications are available for audit.

Completed: November 2015

FINDING 2015-005 – Special Tests and Provisions – Paid Lunch Equity

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has put into place a software system which accurately records and reports paid lunch process for each price level (elementary and middle/high school). In addition, yearly school lunch prices will be approved by the school board.

Completed: August 2015 and June 2016 and July 2016

FINDING 2015-006 – Equipment and Real Property Management

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management will conduct an audit of all equipment and property and maintain records to accurately track the disposition of such. In addition, the corporation Treasurer will compare the records maintained by the Food Service Director and those collected by an external Fixed Asset Auditor to ensure they accurately reflect each other.

Anticipated Completion: June 2018

FINDING 2015-007 – Level of Effort – Maintenance of Effort

Federal Agency: U.S. Department of Education

Federal Program: Special Education – Grants to States

CFDA Number: 84.027

Federal Award Numbers: 14213-047-PN01, 14214-047-PN01, 4215-047-PN01

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has put into place an internal control system to verify the accuracy of reporting Form 9 to the Special Education Cooperative. In addition, management will verify all additional information requested by the cooperative.

Completed: February 2016

FINDING 2015-008 - Reporting

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management has put into place an internal control procedure where the corporation Treasurer will verify and sign off on the claims for reimbursement on a monthly basis. In addition, the corporation Treasurer will work with the Food Service Director to ensure the Annual Financial Report is submitted in a timely manner. Internal controls are in place to provide evidence that the Form 9 report is verified.

Completed July 2016

Management will put into place an internal control which provides evidence of a review process for submitting the Annual Financial Report.

Estimated completion: October 2018

Completed February 2018

FINDING 2015-009 – Child Nutrition Cluster

Federal Agency: U.S. Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2013-2014 and FY 2014-2015

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**

Contact Phone Number: **219-962-2909**

Management will put into place an internal control procedure to monitor cash balances for the School Lunch Fund. The corporation Treasurer will test such levels on a quarterly basis and will ensure compliance when reporting on the Form 9. Internal controls are already in place to verify Form 9 has been reviewed by someone other than the preparer.

Estimated completion: March 2018

Management will put into place a procedure where ALL bids for purchasing will be given to the School Board for approval.

Estimated Completion: July 2018

Management has put into place an internal control procedure to review and verify for accuracy the 3% eligibility test and will work with the Food Service Director to ensure the report is submitted in a timely manner.

Estimated completion: July 2018

FINDING 2015-10 – Title I Grants to Local Educational Agencies

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 13-4590, 14-4590, 15-4590
Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**
Contact Phone Number: **219-962-2909**

Segregation of duties are maintained by having a three-step approval process for purchasing and expenditures of federal funds. In addition, internal controls are in place to verify the accuracy of reporting on Form 9. Management will put into place a procedure to show verification for compliance.

Management will put an internal control procedure in place for Title I compliance whereas the Assistant Superintendent/Grant Supervisor communicates accurate staffing levels to the corporation Treasurer. The corporation Treasurer and/or the Title I coordinator will review payroll distributions created by the Deputy Treasurer to verify the accuracy for compliance.

Anticipated completion: March 2018

Level of Effort-Maintenance of Effort

Management has put an internal control procedure in place in which the Superintendent and School Board President sign the Form 9, additional controls have been established to verify that individual totals on the Form 9 have been reviewed, by way of initials.

Completed February 2016

Reporting

Management has put an internal control procedure in place in which the Superintendent and School Board President sign the Form 9, additional controls have been established to verify that individual totals on the Form 9 have been reviewed, by way of initials.

Completed February 2016

Special Tests and Provisions

Management will put into place an internal control procedure in which evidence is given that two or more individuals will verify compliance and provide evidence with proper recordkeeping.

Anticipated completion: March 2018

FINDING 2015-11 - Eligibility

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 13-4590, 14-4590, 15-4590
Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**
Contact Phone Number: **219-962-2909**

Management will put into place an internal control system to verify eligibility requirements are accurately reported and can be verified by maintaining proper recordkeeping.

Estimated completion: March 2018

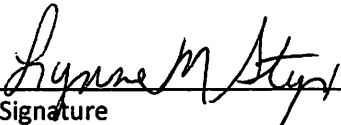
FINDING 2015-12 – Special Tests and Provisions – School Wide Programs

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 13-4590, 14-4590, 15-4590
Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: **Lynne Styx, Treasurer**
Contact Phone Number: **219-962-2909**

Management has put into place proper internal controls to verify accurate and complete recordkeeping is maintained so verification can be determined for school wide program eligibility. Management has also put into place a system to ensure annual evaluations of results achieved by the Title I program are recorded and that program revisions are made based on the evaluations.

Completed: August 2015



Signature

Treasurer

Title

2/21/18

Date

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Audit Period July 1, 2015 through June 30, 2017 Corrective Action Plan

FINDING 2017-001 - Financial Transactions

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

Management will put into place a system for segregation of duties whereas further documentation will be provided as evidence of the oversight and review process for receipts, disbursements and payroll expenditures. In addition, an approval process will be put into place and will be properly documented.

Estimated Completion: June 2018

Management will implement guidelines for the periodic monitoring of internal controls and will provide evidence thereof.

Estimated Completion: August 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Audit Period July 1, 2015 through June 30, 2017 Corrective Action Plan

FINDING 2017-002 - Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

The Treasurer has gained further understanding of the specific grants that need to be reported on the SEFA, this, as well as the typographical errors, have been corrected for the 2016-2017 SEFA on Gateway.

Completed February 2018

For some grants, the accounting periods stretched over two accounting software systems, making it difficult to accurately obtain and report receipts and expenditures. Going into the next audit period, this should correct itself.

Management will put into place a system of internal controls whereas segregation of duties will be allowed for preparing the SEFA. In addition, a plan will be put into place where there will be oversight of data entry. Once prepared, an approval process will be followed and evidence of such will be maintained.

Estimated Completion: August 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Audit Period July 1, 2015 through June 30, 2017 Corrective Action Plan

FINDING 2017-003

Subject: Child Nutrition Cluster - Cash Management, Eligibility, Reporting, Special Tests and Provisions – School Food Accounts School Breakfast Program, National School Lunch Program – Program Income National School Lunch Program- Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16, FY 17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

Cash Management: The Treasurer shall provide the Director of Student Nutrition with a quarterly accounting of receipts and expenditures from the School Lunch Fund (0800). Verification of review will be evidenced by way of a signature.

Estimated Completion: March 2018

Eligibility: Management has put into place an internal control system whereas data entry is reviewed by another employee and evidenced by way of signatures.

Completed: February 2018

Program Income: Management will put into place an internal control in which the Treasurer will provide the Director of Student Nutrition a monthly accounting of receipts entered into the financial system. This will be evidenced by way of signatures.

Estimated Completion: April 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Finding 2017-003 continued

Reporting: Management will put into place a review and approval process when reporting the Annual Financial Report and this will be evidenced by way of signatures.

Estimated Completion: September 2018

Management will put into place a review process for preparing the SFA Verification Collection Report by having someone other than the Director of Student Nutrition sign the report.

Estimated Completion: September 2018

Special Tests and Provisions

Verification of Free and Reduced Price Applications: Management will put into place an internal control whereas oversight and review regarding verification of accuracy of Free and Reduced Applications and will be evidenced by signatures.

Estimated Completion: October 2018

School Food Accounts: Management will put into place an internal control in which the Treasurer will provide the Director of Student Nutrition a monthly accounting of receipts entered into the financial system. This will be evidenced by way of signatures.

Estimated Completion: April 2018

Paid Lunch Equity: Management has put into place an internal control system in which the PLE Tool is reviewed for accuracy; this is evidenced by signatures.

Completed: March 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Audit Period July 1, 2015 through June 30, 2017 Corrective Action Plan

FINDING 2017-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555 Federal Award Numbers and Years (or Other Identifying Numbers): FY 16, FY 17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

Management will put into place better internal controls while maintaining separation of duties between non-food service duties and those allowed by the grant. This will be accounted for by removing the percentage calculation in the payroll system and by providing separate time records for each area and will be reviewed by the Director of Student Nutrition. In addition, a payroll accounting will be sent back to the Director for review. This will be evidenced by way of signature(s).

Estimated Completion: June 2018

The Treasurer will review payments to vendors by signing an accounts payable voucher report generated by the Deputy Treasurer after the docket is run.

Estimated Completion: June 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

**Audit Period July 1, 2015 through June 30, 2017
Corrective Action Plan**

FINDING 2017-005

Subject: Child Nutrition Cluster – Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16, FY 17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

After an established compliance review process, management will bring forth for board approval ALL bids awarded by the N.W. Indiana Educational Service Center. In addition, all procurements will be reviewed and approved as necessary by policy. This will be evidenced by way of recommendations by the Director of Student Nutrition and a designee appointed by the Superintendent.

Estimated Completion: August 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

Audit Period July 1, 2015 through June 30, 2017 Corrective Action Plan

FINDING 2017-006

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, Special Tests and Provisions - Assessment System Security Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010 Federal Award Numbers and Years (or Other Identifying Numbers): 15-4590, 16-4590, 17-4590
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, Special Tests and Provisions - Assessment System Security

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer
Contact Phone Number: 219-962-2909

Activities Allowed or Unallowed, Allowable Costs/Cost Principals: Management will put into place an internal control procedure whereas someone other than the Deputy Treasurer reviews the accounts payable voucher after the docket is complete. A control is already in place to ensure funds are properly appropriated as allowable costs. This will be evidenced by way of a signature.

Estimated Completion: June 2018

Special Tests and Provisions

Comparability: Management will put into place an internal control which evidences an oversight and review procedure by way of signatures.

Estimated Completion: August 2018

Highly Qualified Teachers and Paraprofessionals: Management will place better internal controls to properly track evidence that credentials are properly obtained, recorded and maintained.

Estimated Completion: August 2018

Assessment System Security: Management has put into place better internal controls to maintain evidence of the chain of security.

Completed: March 2018

River Forest Community School Corporation

3250 Michigan Street

Hobart, Indiana 46342

Telephone: (219) 962-2909 Fax: (219) 962-4951

Dr. Steven C. Disney, Jr., Superintendent

Mr. Kevin Trezak, Assistant Superintendent

**Audit Period July 1, 2015 through June 30, 2017
Corrective Action Plan**

FINDING 2017-007

Subject: Title I Grants to Local Educational Agencies – Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010 Federal Award Numbers or Years (or Other Identifying Numbers): 15-4590, 16-4590, 17-4590

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Contact Person Responsible for Corrective Action: Lynne Styx, Treasurer

Contact Phone Number: 219-962-2909

Management will put into place an internal control system with proper review and oversight to ensure compliance data and documentation is properly maintained.

Estimated Completion: August 2018

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/>.