

Community High School District No. 155
(Located within the State of Illinois)
Single Audit
June 30, 2016

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Community High School District No. 155
Crystal Lake, Illinois

We have audited, in accordance with the 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 statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community High School District No. 155 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and question costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Elgin, Illinois
November 2, 2016

Independent Auditor's Report on Compliance for Each Major Program, on Internal Control Over Compliance, and on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Education of
Community High School District No. 155
Crystal Lake, Illinois

Report on Compliance for Each Major Federal Program

We have audited Community High School District No. 155's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District'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 District'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 District'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 District's compliance.

Opinion on Each Major Federal Programs

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District 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 District'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 an 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of finding and questioned cost as item 2016-01 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 purposes.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 2, 2016, which contained and unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 basic financial statements as a whole.

Tight, knelt & On P.C.

Elgin, Illinois
November 2, 2016

Community High School District 155
44-063-1550-16
Schedule of Expenditures of Federal Awards (SEFA)
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number (A)	ISBE Project # (1st 8 digits) or Contract # (B)	Receipts/Revenues		Expenditure/Disbursements		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S Department of Agriculture									
Flow Through Illinois Department of Education									
National School Lunch*	10.555	15-4210-00	\$ 329,232	\$ 42,836	\$ 329,232	\$ 42,836	\$ -	\$ 372,068	\$ N/A
National School Lunch*	10.555	16-4210-00	-	263,174	-	263,174	-	263,174	N/A
Food Commodities - Department of Defense Fresh Fruit & Vegetables (noncash)*	10.555	16-4250-00	-	23,262	-	23,262	-	23,262	N/A
Commodities (noncash)*	10.555	16-4299-00	-	43,427	-	43,427	-	43,427	N/A
Total Flow Through Illinois Department of Education			<u>329,232</u>	<u>372,699</u>	<u>329,232</u>	<u>372,699</u>	<u>-</u>	<u>701,931</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 329,232</u>	<u>\$ 372,699</u>	<u>\$ 329,232</u>	<u>\$ 372,699</u>	<u>\$ -</u>	<u>\$ 701,931</u>	<u>\$ -</u>
U.S. Department of Education									
Flow Through Illinois Department of Education									
IDEA Room & Board*	84.027A	15-4625-00	\$ 94,315	\$ 96,223	\$ 94,315	\$ 96,223	\$ -	\$ 190,538	\$ N/A
IDEA Room & Board*	84.027A	16-4625-00	-	219,444	-	219,444	-	219,444	N/A
Title I - Low Income	84.010A	15-4300-00	368,557	23,671	368,557	23,671	-	392,228	435,105
Title I - Low Income	84.010A	16-4300-00	-	318,943	-	318,943	-	318,943	404,657
Title II - Teacher Quality	84.367A	16-4932-00	-	53,081	-	53,081	-	53,081	63,281
Total Flow Through Illinois Department of Education			<u>462,872</u>	<u>711,362</u>	<u>462,872</u>	<u>711,362</u>	<u>-</u>	<u>1,174,234</u>	<u>903,043</u>
Flow Through McHenry County Cooperative for Employment Education									
CTE - Perkins - Secondary	84.048A	16-4905-00	-	99,108	-	99,108	-	99,108	105,072
Total Flow Through McHenry County Cooperative for Employment Education			<u>-</u>	<u>99,108</u>	<u>-</u>	<u>99,108</u>	<u>-</u>	<u>99,108</u>	<u>105,072</u>
Flow Through Special Education District of McHenry County									
IDEA Flow Through*	84.027	15-4620-00	1,032,784	6,344	1,032,784	6,344	-	1,039,128	1,095,864
IDEA Flow Through*	84.027	16-4620-00	-	1,054,111	-	1,054,111	-	1,054,111	1,156,790
Total Flow Through Special Education District of McHenry County			<u>1,032,784</u>	<u>1,060,455</u>	<u>1,032,784</u>	<u>1,060,455</u>	<u>-</u>	<u>2,093,239</u>	<u>2,252,654</u>
Flow Through Department of Human Services									
STEP	84.126	16-4321-00	-	27,055	-	27,055	-	27,055	28,114
Total Flow Through Department of Human Services			<u>-</u>	<u>27,055</u>	<u>-</u>	<u>27,055</u>	<u>-</u>	<u>27,055</u>	<u>28,114</u>
Total U.S. Department of Education			<u>\$ 1,495,656</u>	<u>\$ 1,897,980</u>	<u>\$ 1,495,656</u>	<u>\$ 1,897,980</u>	<u>\$ -</u>	<u>\$ 3,393,636</u>	<u>\$ 3,288,883</u>
Department of Health and Human Services									
Flow Through Illinois Department of Healthcare and Family Services									
Medicaid Administrative Outreach	93.778	16-4900-00	\$ -	\$ 64,357	\$ -	\$ 64,357	\$ -	\$ 64,357	\$ N/A
Total Flow Through Illinois Department of Healthcare and Family Services			<u>-</u>	<u>64,357</u>	<u>-</u>	<u>64,357</u>	<u>-</u>	<u>64,357</u>	<u>-</u>
Total Department of Health and Human Services			<u>\$ -</u>	<u>\$ 64,357</u>	<u>\$ -</u>	<u>\$ 64,357</u>	<u>\$ -</u>	<u>\$ 64,357</u>	<u>\$ -</u>
Total Schedule of Expenditures of Federal Awards			<u>\$ 1,824,888</u>	<u>\$ 2,335,036</u>	<u>\$ 1,824,888</u>	<u>\$ 2,335,036</u>	<u>\$ -</u>	<u>\$ 4,159,924</u>	<u>\$ 3,288,883</u>

*Major Federal Award Program

Total Noncash \$ 66,689

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

Community High School District No. 155
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Community High School District No. 155 (District). The District's reporting entity is defined in Note 1 of the District's financial statements.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the District's financial statements.

Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016 and is presented on the GAAP basis of accounting. The information in this Schedule 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). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of, the basic financial statements.

Relationship to Basic Financial Statements: Federal awards received are reflected in the District's financial statements within the Educational Account of the District's General Fund as receipts from federal sources.

Relationship to Program Financial Reports: Amounts reported in the accompanying Schedule of Expenditures of Federal Awards were prepared using amounts reported in the Program Financial Reports for programs for which the District has filed final reports as of June 30, 2016, with the Illinois State Board of Education.

Note 2 – Grants to Subrecipients

Of the federal expenditures presented in the schedule, the district did not provide any federal awards to subrecipients.

Note 3 – Major Programs

In accordance with Uniform Guidance, major programs for the District are individual programs or a cluster of programs determined by using a risk-based analysis. The threshold for distinguishing Type A and Type B programs was \$750,000.

Note 4 – Non-Cash Assistance

The District received \$66,689 of non-cash assistance during the year for its National School Lunch Program.

Community High School District No. 155
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 5 – Federal Insurance and Loans

The district had no Federal Insurance in force or loans during the year.

Note 6 – 10% de minimis cost rate

The district did not elect to use the 10% de minimis cost rate for indirect cost.

**Community High School District No. 155
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Part I - Summary of Auditor's Results Section

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(s) identified? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(s) identified? X Yes ___ No

Type of auditor's report issued on compliance of major federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of Circular A-133 X Yes ___ No

Identification of major federal programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
10.555	National School Lunch Program
10.555	Food Commodities - Department of Defense Fresh Fruit & Vegetables (Noncash)
10.555	Commodities (Noncash)
84.027A	IDEA Room & Board
84.027	IDEA Flow Through

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

Auditee qualified as low-risk auditee? X Yes ___ No

Part II - Financial Statement Findings Section

No matters of reportable conditions, material weaknesses or instances of noncompliance related to the financial statements were noted during our audit of the financial statements of Community High School District No. 155, for the year ended June 30, 2016.

Community High School District No. 155
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2016

Part III - Federal Award Findings and Questioned Costs Section

Finding 2016-01 - Controls Over Eligibility Verification

Federal Department:	Department of Agriculture
CFDA Number:	10.555
Program Name:	National School Lunch Program
Questioned Costs:	\$0.00

Criteria

Federal regulations require that the District keep records indicating a formal review of verification was performed. This must be done by an individual other than the determining official and the documentation of the confirmation review must be recorded on the application.

Condition

As part of our testing, we examined all audits and reviews performed by other agencies during the covered period. During the Illinois State Board of Education review of controls over verification of eligibility, a finding was issued regarding four applications selected for verification. The applications did not have a confirmation review signature by someone other than the determining official. We confirmed the results and agree with the finding.

Context

For the files that did not have a formal review of verification process, the District did not have a different signature indicating that the process was reviewed and the result approved.

Cause

The cause appears to be an oversight in the District's existing control structure.

Effect

The effect of the above conditions is that the District did not completely comply with federal regulations.

Recommendation

We recommend that the District policies to ensure all required verification reviews are formally documented in the files.

Management Response

The District has put in place a corrective action plan and will review procedures with each Student Service Coordinator prior to the start of the school year to ensure that all future verifications are properly confirmed.

Community High School District No. 155
Schedule of Prior Year Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Part II - Financial Statement Findings Section

No matters of reportable conditions, material weaknesses or instances of noncompliance related to the financial statements were noted during our audit of the financial statements of Community High School District No. 155, for the year ended June 30, 2015.

Part III - Federal Award Findings and Questioned Costs Section

No reportable conditions, material weaknesses, or material instances of noncompliance were noted during our audit of the financial statements of Community High School District No. 155, for the year ended June 30, 2015.