

COMMUNITY HIGH SCHOOL DISTRICT NO. 155

SINGLE AUDIT
June 30, 2012

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INDEPENDENT AUDITORS' 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

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

We have audited the financial statements of the Community High School District No. 155 (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated the same date as this report. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

Compliance and Other Matters

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Education, others within the District, the Illinois State Board of Education, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Oak Brook, Illinois
November 5, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Community High School District No. 155 (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 5, 2012, which expressed an unqualified opinion on those financial statements. We have also audited the financial statements of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011 which expressed an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Oak Brook, Illinois
November 5, 2012

COMMUNITY HIGH SCHOOL DISTRICT No. 155
44-063-1550-16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Year Ended June 30, 2012

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 7/1/10-6/30/11 (C)	Year 7/1/11-6/30/12 (D)	Year 7/1/10-6/30/11 (E)	Year 7/1/11-6/30/12 (F)			
U.S. Department of Agriculture									
Flow Through Illinois Department of Education									
National School Lunch	10.555	11-4210-00	\$ 221,060	\$ 45,470	\$ 221,060	\$ 45,470	\$ -	\$ 266,530	N/A
National School Lunch	10.555	12-4210-00	-	261,010	-	261,010	-	261,010	N/A
Food Commodities - Department of Defense Fresh Fruit & Vegetables	10.555	12-4250-00	-	6,809	-	6,809	-	6,809	N/A
Commodities	10.555	12-4299-00	-	68,811	-	68,811	-	68,811	N/A
Total U.S. Department of Agriculture			221,060	382,100	221,060	382,100	-	603,160	
U.S. Department of Education									
Flow Through Illinois Department of Education									
IDEA Room & Board (M)	84.027A	11-4625-00	544,838	177,740	544,838	177,740	-	722,578	N/A
IDEA Room & Board (M)	84.027A	10-4625-XC	-	16,592	-	16,592	-	16,592	N/A
IDEA Room & Board (M)	84.027A	12-4625-00	-	486,501	-	486,501	-	486,501	N/A
Total IDEA Room & Board			544,838	680,833	544,838	680,833	-	1,225,671	
Title II - Teacher Quality	84.367A	12-4932-00	-	71,697	-	71,697	-	71,697	75,685
ARRA Education Jobs Fund (M)	84.410A	11-4880-00	-	855,372	-	855,372	-	855,372	N/A
ARRA Education Jobs Fund (M)	84.410A	12-4880-00	-	12,858	-	12,858	-	12,858	N/A
Total ARRA Education Jobs Fund			-	868,230	-	868,230	-	868,230	
Total Flow Through Illinois Department of Education			544,838	1,620,760	544,838	1,620,760	-	2,165,598	
Flow Through Lake County Regional Office Education									
McKinney-Vento Education for Homeless Children	84.196	12-4920-00	-	146	-	146	-	146	N/A
Flow Through McHenry County Cooperative for Employment Education									
CTE - Perkins - Secondary	84.048A	12-4905-00	-	83,995	-	83,995	-	83,995	104,173
Flow Through Special Education District of McHenry County									
IDEA Flow Through (M)	84.027	12-4620-00	-	1,049,911	-	1,049,911	-	1,049,911	1,137,006
ARRA-IDEA Part B-Stimulus (M)	84.391A	11-4620-00	384,818	127,894	438,117	74,595	-	512,712	512,712
Total Flow Through Special Education District of McHenry County			384,818	1,177,805	438,117	1,124,506	-	1,562,623	
Flow Through Department of Human Services									
STEP	84.126	11-4321-00	11,304	4,189	15,493	-	-	15,493	15,493
STEP	84.126	12-4321-00	-	13,811	-	13,811	-	13,811	16,574
Total Flow Through Department of Human Services			11,304	18,000	15,493	13,811	-	29,304	
Total U.S. Department of Education			940,960	2,900,706	998,448	2,843,218	-	3,841,666	
Department of Health and Human Services									
Flow Through Illinois Department of Healthcare and Family Services									
Medicaid Administrative Outreach	93.778	11-4900-00	94,583	69,800	94,583	69,800	-	164,383	N/A
Medicaid Administrative Outreach	93.778	12-4900-00	-	59,637	-	59,637	-	59,637	N/A
Total Flow Through Illinois Department of Healthcare and Family Services			94,583	129,437	94,583	129,437	-	224,020	
Flow Through Special Education District of McHenry County									
Medicaid Administrative Outreach	93.778	11-4900-00	2,738	2,508	2,738	2,508	-	5,246	N/A
Medicaid Administrative Outreach	93.778	11-4900-01	-	627	-	627	-	627	N/A
Total Flow Through Illinois Department of Healthcare and Family Services			2,738	3,135	2,738	3,135	-	5,873	
Total U.S. Department of Health and Human Services			97,321	132,572	97,321	132,572	-	229,893	
U.S. Department of Homeland Security									
IEMA Public Assistance Program	97.036	1960-111-USPKZ-00	-	19,032	-	19,032	-	19,032	N/A
Total U.S. Department of Homeland Security			-	19,032	-	19,032	-	19,032	
Total Schedule of Expenditures of Federal Awards			\$ 1,259,341	\$ 3,434,410	\$ 1,316,829	\$ 3,376,922	\$ -	\$ 4,693,751	

(M) Program was audited as a major program as defined by OMB Circular A-133.
See Notes to the Schedule.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

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 to 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 to the District's 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, 2012, with the Illinois State Board of Education.

NOTE 2 - 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 OMB Circular A-133, 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 \$300,000.

NOTE 4 - NON-CASH ASSISTANCE

The District received \$75,620 of non-cash assistance during the year for its National School Lunch Program Cluster.

NOTE 5 - FEDERAL INSURANCE

The District had no Federal Insurance enforce during the year.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

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

Unqualified – Special Education Cluster (IDEA)

Unqualified – ARRA Education Jobs Fund

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.391A	Special Education Cluster (IDEA and ARRA IDEA)
84.410A	ARRA Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings

FINDING 2012-01 – CONTROLS OVER RECONCILIATIONS AND MANUAL JOURNAL ENTRIES

Criteria

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. Such controls would include review and approval of accounts, reconciliations and manual journal entries.

Condition

We noted instances during our testing of internal control over financial reporting that the District prepares bank reconciliations, account reconciliations and manual journal entries on a monthly basis. These entries and reconciliations are informally reviewed by management.

Context

The District does perform reviews of the monthly bank reconciliations, year-end account reconciliations and manual journal entries posted to the general ledger system. However, documentation to show that the reconciliations were formally reviewed and approved by management was not available.

Cause

The cause appears to be an oversight by the District.

Effect

Although no improper financial activity was posted, the effect is that the control structure over bank reconciliations, account reconciliations and manual journal entries could be susceptible to incorrect financial information being posted.

Recommendation

We are aware that the District has implemented controls to ensure that the monthly bank reconciliations, account reconciliations and manual journal entries are formally approved by management. We recommend that the District ensure that the modifications to the control procedures established subsequent to year end are operating effectively.

Management Response

The District has implemented a new financial software system that will facilitate the maintenance of effective internal controls over the financial reporting to include review and approval of reconciliations and journal entries and the formal posting by management only.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings

There were no federal award findings for the year ended June 30, 2012.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – Prior Year Findings and Questioned Costs

FINDING 2011-01 – CONTROLS OVER BANK RECONCILIATIONS AND MANUAL JOURNAL ENTRIES

Criteria

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. Such controls would include review and approval of accounts, reconciliations and manual journal entries.

Condition

We noted instances during our testing of internal control over financial reporting that the District prepares bank reconciliations and manual journal entries on a monthly basis. These entries and reconciliations are informally reviewed by management.

Context

The District does perform reviews of the monthly bank reconciliations and manual journal entries posted to the general ledger system. However, documentation to show that the reconciliations were formally reviewed and approved by management was not available.

Cause

The cause appears to be an oversight by the District.

Effect

Although no improper financial activity was posted, the effect is that the control structure over bank reconciliations and manual journal entries could be susceptible to incorrect financial information being posted.

Fiscal Year 2012 Follow-up

During the fiscal year 2012, the items noted in the previous year were not remediated by the District. As such, the finding is repeated.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012

FINDING 2011-02 – CONTROLS AND NONCOMPLIANCE OVER ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS

Federal Department:	Department of Agriculture
CFDA Number(s):	10.555
Program Name(s):	National School Lunch Cluster
Questioned Costs:	\$0

Criteria

Federal regulations require that the District maintain records used for eligibility determinations. In addition, those records should indicate that when a student is selected for verification, a formal review of the verification should be included.

Condition

During our testing of controls over for eligibility and verification, we noted that out of 60 students selected for testing:

- Two student files were unable to be located
- Two student files were accidentally destroyed by a former District employee
- Two student files did not have documentation of the formal review of the verification process by management

Context

The files that were destroyed were done so by a former District employee who did not know that the files were required to be retained. For the files that did not have a formal review of the verification process, the District did conduct a verification as required but the files did not have a signature from management indicating that the process was reviewed and the results 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 could have noncompliance with federal regulations. Due to the missing and destroyed files, we were unable to determine if the District was in compliance with federal regulations.

Fiscal Year 2012 Follow-up

During the fiscal year 2012, there were no instances of ineffective controls or noncompliance over eligibility or special tests and provisions for the National School Lunch Cluster. As such, the finding is not repeated.

COMMUNITY HIGH SCHOOL DISTRICT No. 155
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2012

FINDING 2011-03 – CONTROLS OVER REPORTING

Federal Department:	Department of Agriculture
CFDA Number(s):	10.555
Program Name(s):	National School Lunch Cluster
Questioned Costs:	\$0

Criteria

Federal regulations dictate that an internal control structure be in place to ensure proper review of reports submitted to award agencies.

Condition

During our testing of internal controls, we noted that the District employees at each location gathers information from the Skyward system and manually compiles the information to prepare the required claims submitted to the Illinois State Board of Education (ISBE). The District informally reviews this information for accuracy. In addition, the claim is submitted to the ISBE after an informal review of the claim is performed by senior management.

Context

The review process for the claim preparation and submission review is not formally documented.

Cause

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

Effect

Although no instances of noncompliance were noted, the oversight in controls could lead to noncompliance with federal regulations.

Fiscal Year 2012 Follow-up

During the fiscal year 2012, there were no instances of ineffective controls over reporting for the National School Lunch Cluster. As such, the finding is not repeated.