

**COMMUNITY HIGH SCHOOL DISTRICT NO. 155**

**SINGLE AUDIT  
June 30, 2013**

COMMUNITY HIGH SCHOOL DISTRICT No. 155

SINGLE AUDIT  
June 30, 2013

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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**

Board of Education  
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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2013.

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

## Purpose of this Report

The purpose of this 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 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.

  
Crowe Horwath LLP

Oak Brook, Illinois  
December 11, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 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 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 Program***

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, 2013.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 11, 2013, which contained unmodified opinions on those financial statements. We have also audited the financial statements of the District as of June 30, 2012 and for the year then ended, and have issued our report dated on November 5, 2012, which expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 basic financial statements or to the basic 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 basic financial statements as a whole.



Crowe Horwath LLP

Oak Brook, Illinois  
December 11, 2013

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COMMUNITY HIGH SCHOOL DISTRICT No. 155  
44-063-1550-16  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)  
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number	ISBE Project # (1st 8 digits) or Contract #	Receipts/Revenues		Expenditure/Disbursements		Obligations/ Encumb.	Final Status	Budget (I)
			Year 7/1/11-6/30/12 (C)	Year 7/1/12-6/30/13 (D)	Year 7/1/11-6/30/12 (E)	Year 7/1/12-6/30/13 (F)			
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
<b>U.S. Department of Agriculture</b>									
<b>Flow Through Illinois State Board of Education</b>									
National School Lunch	10.555	12-4210-00	\$ 261,010	\$ 41,778	\$ 261,010	\$ 41,778	\$ -	\$ 302,788	N/A
National School Lunch	10.555	13-4210-00	-	329,046	-	329,046	-	329,046	N/A
Food Commodities - Department of Defense Fresh Fruit & Vegetables (noncash)	10.555	13-4250-00	-	15,724	-	15,724	-	15,724	N/A
Commodities (noncash)	10.555	13-4229-00	-	47,704	-	47,704	-	47,704	N/A
<b>Total 10.555</b>			<b>261,010</b>	<b>434,252</b>	<b>261,010</b>	<b>434,252</b>	<b>-</b>	<b>695,262</b>	
<b>Total U.S. Department of Agriculture</b>			<b>261,010</b>	<b>434,252</b>	<b>261,010</b>	<b>434,252</b>	<b>-</b>	<b>695,262</b>	
<b>U.S. Department of Education</b>									
<b>Flow Through Illinois State Board of Education</b>									
Title II - Teacher Quality	84.367A	13-4932-00	-	74,624	-	74,624	-	74,624	74,862
IDEA Room & Board (M)	84.027A	12-4625-00	486,501	263,284	486,501	263,284	-	749,785	N/A
IDEA Room & Board (M)	84.027A	13-4625-00	-	644,797	-	644,797	-	644,797	N/A
<b>Flow Through Special Education District of McHenry County</b>									
IDEA Flow Through (M)	84.027	13-4620-00	-	997,620	-	997,620	-	997,620	1,104,131
<b>Total IDEA Cluster</b>			<b>486,501</b>	<b>1,905,701</b>	<b>486,501</b>	<b>1,905,701</b>	<b>-</b>	<b>2,392,202</b>	
<b>Flow Through McHenry County Cooperative for Employment Education</b>									
CTE - Perkins - Secondary	84.048A	12-4905-00	83,995	20,178	83,995	20,178	-	104,173	104,173
CTE - Perkins - Secondary	84.048A	13-4905-00	-	96,536	-	96,536	-	96,536	96,536
<b>Total 84.048A</b>			<b>83,995</b>	<b>116,714</b>	<b>83,995</b>	<b>116,714</b>	<b>-</b>	<b>200,709</b>	
<b>Flow Through Illinois Department of Human Services</b>									
STEP	84.126	13-4321-00	-	12,970	-	12,970	-	12,970	12,970
<b>Total U.S. Department of Education</b>			<b>570,496</b>	<b>2,110,009</b>	<b>570,496</b>	<b>2,110,009</b>	<b>-</b>	<b>2,680,505</b>	
<b>U.S. Department of Health and Human Services</b>									
<b>Flow Through Illinois Department of Healthcare and Family Services</b>									
Medicaid Administrative Outreach	93.778	12-4900-00	59,637	16,047	59,637	16,047	-	75,684	N/A
Medicaid Administrative Outreach	93.778	13-4900-00	-	54,287	-	54,287	-	54,287	N/A
<b>Total U.S. Department of Health and Human Services</b>			<b>59,637</b>	<b>70,334</b>	<b>59,637</b>	<b>70,334</b>	<b>-</b>	<b>129,971</b>	
<b>Total Schedule of Expenditures of Federal Awards</b>			<b>\$ 891,143</b>	<b>\$ 2,614,595</b>	<b>\$ 891,143</b>	<b>\$ 2,614,595</b>	<b>\$ -</b>	<b>\$ 3,505,738</b>	

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

**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, 2013, 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 \$63,428 of non-cash assistance during the year for its National School Lunch Program Cluster.

**NOTE 5 - FEDERAL INSURANCE**

The District had no Federal Insurance in force during the year.



COMMUNITY HIGH SCHOOL DISTRICT No. 155  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2013

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**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?      \_\_\_\_\_ Yes        X   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)

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	Special Education Cluster (IDEA)

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, 2013

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**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended June 30, 2013.

**Section III – Federal Award Findings**

There were no federal award findings for the year ended June 30, 2013.

**Section IV – Prior Year Findings and Questioned Costs**

**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.

**2013 Follow-up**

The District has implemented a new financial software system that has facilitated 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. As such, the finding is not repeated.