

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
KNOX COUNTY, INDIANA
July 1, 2011 to June 30, 2013



FILED
04/08/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis.....	7
Notes to Financial Statement.....	8-12
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	14-17
Examination Result and Comment:	
Internal Controls	18
Exit Conference.....	19

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary K. Williams Rebecca A. Van Vleet	07-01-11 to 10-31-11 11-01-11 to 06-30-14
Career and Technical Education Director	Joyce Memering J.T. Roberts	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Bradley Case Nicholas G. Karazsia	07-01-11 to 06-30-12 07-01-12 to 06-30-14



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TWIN RIVERS CAREER AND
TECHNICAL EDUCATION AREA, KNOX COUNTY, INDIANA

We have examined the accompanying financial statement of the Twin Rivers Career and Technical Education Area (School Corporation), for the period of July 1, 2011 to June 30, 2013. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, 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 comprehensive 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity 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, 2011 to June 30, 2013.

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, 2011 to June 30, 2013, on the basis of accounting described in Note 1.

Our examination 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, 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 examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 11, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Cash and Investments 06-30-12	Receipts	Disbursements	Cash and Investments 06-30-13
Textbook Rental	\$ 3,215	\$ 2,786	\$ 4,496	\$ 1,505	\$ -	\$ -	\$ 1,505
Joint Services and Supply Area Vocational School	153,355	869,845	899,234	123,966	903,540	912,026	115,480
Daviess/Knox/Martin Health	796	3,618	4,017	397	3,161	2,031	1,527
Greene/Sullivan Health	825	3,536	2,749	1,612	5,568	3,542	3,638
Daviess/Knox/Martin Auto	4,065	14,724	12,506	6,283	10,265	11,103	5,445
Greene/Sullivan Auto	6,752	16,865	12,884	10,733	13,980	15,907	8,806
Daviess/Knox/Martin Building Trades	1,101	1,353	1,746	708	1,439	1,653	494
Greene/Sullivan Building Trades	1,550	904	1,489	965	1,361	1,158	1,168
Cosmetology	7,164	500	7,700	(36)	-	-	(36)
Perkins	(98)	240,400	260,135	(19,833)	258,349	239,511	(995)
Project Lead the Way	(15,113)	185,628	174,904	(4,389)	-	2,436	(6,825)
Payroll	2,906	148,097	141,375	9,628	100,011	107,916	1,723
Totals	<u>\$ 166,518</u>	<u>\$ 1,488,256</u>	<u>\$ 1,523,235</u>	<u>\$ 131,539</u>	<u>\$ 1,297,674</u>	<u>\$ 1,297,283</u>	<u>\$ 131,930</u>

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

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
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, 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 which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include 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 which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money 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 money 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. 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.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. 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 4. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent 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
1 North Capital Street, 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.

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
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
1 North Capital Street, 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 5. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursements from federal grants not being received by the financial statement ending date. The Cosmetology Fund was in deficit due to expected revenues not meeting expenditure requirements for cosmetology supplies.

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Restatements

For the year ended June 30, 2012, a change has been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

<u>Fund Name</u>	<u>Balance as of June 30, 2011</u>	<u>Prior Period Adjustment</u>	<u>Balance as of July 1, 2011</u>
Payroll	<u>\$ -</u>	<u>\$ 2,906</u>	<u>\$ 2,906</u>

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2012

	Textbook Rental	Joint Services and Supply Area Vocational School	Daviess/ Knox/Martin Health	Greene/Sullivan Health	Daviess/ Knox/Martin Auto	Greene/Sullivan Auto	Daviess/ Knox/Martin Building Trades
Cash and investments - beginning	\$ 3,215	\$ 153,355	\$ 796	\$ 825	\$ 4,065	\$ 6,752	\$ 1,101
Receipts:							
Local sources	2,786	828,201	3,618	3,536	14,724	16,865	1,353
State sources	-	15,722	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	25,922	-	-	-	-	-
Total receipts	<u>2,786</u>	<u>869,845</u>	<u>3,618</u>	<u>3,536</u>	<u>14,724</u>	<u>16,865</u>	<u>1,353</u>
Disbursements:							
Current:							
Instruction	-	694,065	4,017	2,749	12,506	12,884	1,746
Support services	4,496	205,169	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>4,496</u>	<u>899,234</u>	<u>4,017</u>	<u>2,749</u>	<u>12,506</u>	<u>12,884</u>	<u>1,746</u>
Excess (deficiency) of receipts over disbursements	<u>(1,710)</u>	<u>(29,389)</u>	<u>(399)</u>	<u>787</u>	<u>2,218</u>	<u>3,981</u>	<u>(393)</u>
Cash and investments - ending	<u>\$ 1,505</u>	<u>\$ 123,966</u>	<u>\$ 397</u>	<u>\$ 1,612</u>	<u>\$ 6,283</u>	<u>\$ 10,733</u>	<u>\$ 708</u>

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Greene/Sullivan Building Trades	Cosmetology	Perkins	Project Lead the Way	Payroll	Totals
Cash and investments - beginning	\$ 1,550	\$ 7,164	\$ (98)	\$ (15,113)	\$ 2,906	\$ 166,518
Receipts:						
Local sources	904	500	-	-	-	872,487
State sources	-	-	-	-	-	15,722
Federal sources	-	-	240,400	185,628	-	426,028
Other	-	-	-	-	148,097	174,019
Total receipts	<u>904</u>	<u>500</u>	<u>240,400</u>	<u>185,628</u>	<u>148,097</u>	<u>1,488,256</u>
Disbursements:						
Current:						
Instruction	1,489	7,700	-	168,907	-	906,063
Support services	-	-	260,135	5,997	-	475,797
Nonprogrammed charges	-	-	-	-	141,375	141,375
Total disbursements	<u>1,489</u>	<u>7,700</u>	<u>260,135</u>	<u>174,904</u>	<u>141,375</u>	<u>1,523,235</u>
Excess (deficiency) of receipts over disbursements	<u>(585)</u>	<u>(7,200)</u>	<u>(19,735)</u>	<u>10,724</u>	<u>6,722</u>	<u>(34,979)</u>
Cash and investments - ending	<u>\$ 965</u>	<u>\$ (36)</u>	<u>\$ (19,833)</u>	<u>\$ (4,389)</u>	<u>\$ 9,628</u>	<u>\$ 131,539</u>

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2013

	Textbook Rental	Joint Services and Supply Area Vocational School	Davies/ Knox/Martin Health	Greene/Sullivan Health	Davies/ Knox/Martin Auto	Greene/Sullivan Auto	Davies/ Knox/Martin Building Trades
Cash and investments - beginning	\$ 1,505	\$ 123,966	\$ 397	\$ 1,612	\$ 6,283	\$ 10,733	\$ 708
Receipts:							
Local sources	-	861,747	3,161	5,568	10,265	13,980	1,439
State sources	-	15,511	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	26,282	-	-	-	-	-
Total receipts	<u>-</u>	<u>903,540</u>	<u>3,161</u>	<u>5,568</u>	<u>10,265</u>	<u>13,980</u>	<u>1,439</u>
Disbursements:							
Current:							
Instruction	-	746,570	2,031	3,542	11,103	15,907	1,653
Support services	-	165,456	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>912,026</u>	<u>2,031</u>	<u>3,542</u>	<u>11,103</u>	<u>15,907</u>	<u>1,653</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(8,486)</u>	<u>1,130</u>	<u>2,026</u>	<u>(838)</u>	<u>(1,927)</u>	<u>(214)</u>
Cash and investments - ending	<u>\$ 1,505</u>	<u>\$ 115,480</u>	<u>\$ 1,527</u>	<u>\$ 3,638</u>	<u>\$ 5,445</u>	<u>\$ 8,806</u>	<u>\$ 494</u>

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Greene/Sullivan Building Trades	Cosmetology	Perkins	Project Lead the Way	Payroll	Totals
Cash and investments - beginning	\$ 965	\$ (36)	\$ (19,833)	\$ (4,389)	\$ 9,628	\$ 131,539
Receipts:						
Local sources	1,361	-	-	-	-	897,521
State sources	-	-	-	-	-	15,511
Federal sources	-	-	258,204	-	-	258,204
Other	-	-	145	-	100,011	126,438
Total receipts	<u>1,361</u>	<u>-</u>	<u>258,349</u>	<u>-</u>	<u>100,011</u>	<u>1,297,674</u>
Disbursements:						
Current:						
Instruction	1,158	-	-	2,035	-	783,999
Support services	-	-	239,511	401	-	405,368
Nonprogrammed charges	-	-	-	-	107,916	107,916
Total disbursements	<u>1,158</u>	<u>-</u>	<u>239,511</u>	<u>2,436</u>	<u>107,916</u>	<u>1,297,283</u>
Excess (deficiency) of receipts over disbursements	<u>203</u>	<u>-</u>	<u>18,838</u>	<u>(2,436)</u>	<u>(7,905)</u>	<u>391</u>
Cash and investments - ending	<u>\$ 1,168</u>	<u>\$ (36)</u>	<u>\$ (995)</u>	<u>\$ (6,825)</u>	<u>\$ 1,723</u>	<u>\$ 131,930</u>

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The financial statement reported receipt and disbursement transfers between bank accounts during the audit period. The unit receives all electronic deposits in one bank account and transfers monies received to another bank account where they write checks for disbursements. The ledger transactions show the receipts and disbursements as they occur in the proper funds. However, the reporting of bank transfers on the financial statement caused the receipts and disbursements to be overstated by \$410,000 during the examination period. Adjustments were proposed, accepted by the School Corporation, and made to the financial statement presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TWIN RIVERS CAREER AND TECHNICAL EDUCATION AREA
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2014, with J.T. Roberts, Career and Technical Education Director, and Rebecca A. Van Vleet, Treasurer.