

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 1

SCOTT COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/10/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jami R. Parks	07-01-22 to 06-30-25
Superintendent of Schools	Trevor Jones	07-01-22 to 06-30-25
President of the School Board	Kathy Morris David Deaton Darlene Hall Ryan Payne	07-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24 01-01-25 to 06-30-25



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TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

This report is supplemental to the audit report of the Scott County School District 1 (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 25, 2025

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B60810, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The School Corporation had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

Financial Information

The financial information entered into Gateway was inaccurate and was not reflective of the financial activity of the School Corporation's underlying financial records. The following errors were identified:

- Four funds were omitted from the AFR. This caused the fiscal year 2022-2023 and 2023-2024 receipts to be understated by \$119,371 and \$413,311, respectively. The 2022-2023 and 2023-2024 disbursements to be understated by \$347,106 and \$287,516, respectively.
- The 2022-2023 Education fund disbursements were understated by \$100,000.
- The Payroll Withholding funds activity on the AFR was incorrectly reported. For 2022-2023, receipts and disbursements were both understated by \$133,613. For 2023-2024, receipts and disbursements were both understated by \$127,066.
- A fund entitled Transfers Between Banks was included on the AFR. This fund was used by the School Corporation on its ledger to solely record transfers between banks. This should not have been included on the AFR and the financial statement. This caused receipts and disbursements to both be overstated by \$482,354 in 2022-2023 and \$1,743,292 in 2023-2024.
- Transactions totaling \$993,293 in 2022-2023 were incorrectly recorded on the AFR as Transfers In and Transfers Out within Other Financing Sources and (Uses), but should have been recorded as receipts and disbursements, as they were for correcting entries.
- For 2022-2023, two transfers totaling \$542,947 were not reported as Transfers In and Transfers Out within Other Financing Sources and (Uses). For 2023-2024, one transfer totaling \$259,817 was not reported as Transfers In and Transfers Out within Other Financing Sources and (Uses).

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the School Corporation and the AFRs.

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Payables and Receivables

The School Corporation did not report any amounts on the Schedule of Payables and Receivables on the AFR. The School Corporation did have certain payables, such as invoices that were received and unpaid, and debt payments and receivables, such as grant reimbursements, that existed at fiscal year end. The School Corporation chose not to present the Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report.

Leases and Debt

Although the School Corporation reported leases and debt on the AFR, the submission incorrectly reported the capital lease with the Scott County 1998 School Building Corporation on the debt schedule, instead of the leases schedule. This caused the ending principal balance to be overstated by \$18,885,000, the principal due within one year to be overstated by \$585,000, and the annual lease payment to be understated by \$1,152,500. Additionally, the Common School Fund Loans ending principal balance was understated by \$189,039, and the principal due within one year was understated by \$472,347.

Adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report and the AFR.

Capital Assets

The School Corporation did not report any amounts for buildings or infrastructure on the Schedule of Capital Assets on the AFR. The School Corporation chose not to present the Schedule of Capital Assets as Other Information in the Financial Statement Audit Report.

Grant Information

The School Corporation made the following errors in the grant schedule within the AFR:

- The Child Nutrition Cluster expenditures were omitted, which understated expenditures by \$858,615 and \$835,726 for 2022-2023 and 2023-2024, respectively.
- The Title I Grants to Local Educational Agencies expenditures were omitted, which understated expenditures by \$328,609 and \$573,941 for 2022-2023 and 2023-2024, respectively.
- The Twenty-First Century Community Learning Centers expenditures were omitted, which understated expenditures by \$169,384 and \$389,759 for 2022-2023 and 2023-2024, respectively.
- The COVID-19 - Education Stabilization Fund expenditures were omitted, which understated expenditures by \$942,347 and \$1,290,395 for 2022-2023 and 2023-2024, respectively.
- Four other grants had individually immaterial errors for 2022-2023 that resulted in misstatements of expenditures of \$64,124 in total. Five other grants had individually immaterial errors for 2023-2024 that resulted in misstatements of expenditures of \$101,973 in total.

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in the Federal Compliance Audit Report and the AFR.

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure the School Corporation complied with laws and regulations. Internal control deficiencies resulted in noncompliance with the following areas and are detailed further in the comments below:

- Capital Assets
- Overdrawn Cash Balances
- Monthly and Annual Uploads

Criteria

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SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

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CAPITAL ASSETS

The same comment also appeared in prior Report B60810.

Condition and Context

The School Corporation did not conduct an inventory of capital assets every two years.

The capital asset ledger provided by the School Corporation was not complete, as it did not contain any of the buildings or infrastructure owned by the School Corporation.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B60810.

Condition and Context

There were funds at June 30, 2023 and 2024, with negative cash balances reported on the Annual Financial Report (AFR). The AFR included grant funds that were not reimbursed timely, as well as funds that remained negative due to disbursements exceeding receipts and available funds on hand. The following funds had overdrawn cash balances as of June 30, 2023 and 2024, other than reimbursable grant funds waiting on timely reimbursements:

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Fund	Amount Overdrawn June 30, 2023	Amount Overdrawn June 30, 2024
Debt Service	\$ 437,903	\$ -
Retirement/Severance Bond Debt Service	26,676	-
Referendum Debt - Post 2009	380,576	-
ALC Donation	-	114
We Care	665	806
Scott Co Community Channel	4,896	4,896
Title I 2016-2017	33,879	33,879
Title I 17/18	37,329	37,329
Title I SY20/21	1,465	1,777
Title IV Nursing SY20/21	-	1,000
21St CCLC	18,867	18,867
21St CCLC SY20/21	2,633	2,633
Title IIA Class Size Reduction	39,255	39,255
RLIS SY20/21 Lab	1,892	1,892
Rural And Low Income (Not Title IV)	27,942	27,942
Social Security Withholding	35,873	35,873
Teacher Retirement Withholding	26	26
Group Insurance Withholding	8,245	8,064
AFLAC/Flex One	12,498	12,498
Child Support Deduction	5,606	5,606
Anytime Fitness Withholding	234	234
Garnishment Withholding	630	630

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

MONTHLY AND ANNUAL UPLOADS

The same comment also appeared in prior Report B60810.

Condition and Context

The School Corporation did not comply with the State Examiner Directive 2018-1. Monthly bank statements were not included with monthly reconciliation uploads, and monthly uploads for June 2023 were not uploaded until November 2024. In addition, no annual uploads for fiscal years 2022-2023 and 2023-2024 were completed until November 2024.

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021, and Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024 and the 2023 annual uploads due March 1, 2024)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCOTT COUNTY SCHOOL DISTRICT 1
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2025, with Jami R. Parks, Treasurer; Trevor Jones, Superintendent of Schools; Ryan Payne, President of the School Board; and Stacey Teipen, Federal Programs Director.