

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

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION

JACKSON COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/14/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Internal Controls	4
Annual Financial Report	4-6
Prepaid School Meal Accounts.....	6
Bond Proceeds Not Recorded Properly	6-7
Ordinances and Resolutions - Average Daily Membership.....	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patsy Hess Angie Wheelles	07-01-22 to 06-30-24 07-01-24 to 06-30-25
Superintendent of Schools	Timothy W. Taylor	07-01-22 to 06-30-25
President of the School Board	Scott Shade Brian Wheeler	07-01-22 to 06-30-23 07-01-23 to 06-30-25



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

This report is supplemental to the audit report of the Brownstown Central Community School Corporation (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

March 6, 2025

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

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:

- Annual Financial Report
- Prepaid School Meal Accounts
- Bond Proceeds Not Recorded Properly
- Ordinances and Resolutions - Average Daily Membership

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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment appeared in a Management Letter addressed to the Officials of the School Corporation for the audit period ending June 30, 2022.

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 financial reporting system. The AFRs submitted by the School Corporation contained the following errors:

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Grant Information

The grant schedule as reported in the AFR contained the following errors:

- The National School Lunch program expenditures were overstated by \$651,142 and understated by \$2,676 for fiscal years 2022-2023 and 2023-2024, respectively.
- The School Breakfast Program expenditures were overstated by \$182,699 and \$15,019 for 2022-2023 and 2023-2024, respectively.
- Two grants had individually immaterial errors for 2022-2023 that resulted in overstatements of expenditures of \$41,455 in total.

Audit adjustments were proposed, accepted by the School Corporation, and made to the AFRs and the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the School Corporation.

Capital Assets

The School Corporation provided supporting documentation for its capital assets, which did not agree to the amount reported on the Schedule of Capital Assets on the AFR. Infrastructure was overstated by \$17,358; buildings were overstated by \$407,800; improvements other than buildings were understated by \$2,400,079; and machinery, equipment, and vehicles were understated by \$511,782.

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

Payables and Receivables

The School Corporation did not report any amounts for accounts receivable on the Schedule of Payables and Receivables on the AFR. The School Corporation did have knowledge of money that they knew was receivable at June 30, 2024. The School Corporation chose not to present the Schedule of Payables and Receivables as Other Information in the Financial Statement Audit Report of the School Corporation.

Leases and Debt

The School Corporation did not report the Construction 2023 General Obligation Bonds on its debt schedule on the AFR. This caused the ending principal balance and the principal due within one year to be understated on the debt schedule by \$1,785,000 and \$140,000, respectively.

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 of the School Corporation and the AFR.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

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](#)."

PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B61009.

Condition and Context

The Prepaid Lunch fund, fund number 8400, was established by the School Corporation. Monthly transfers were being made from Prepaid Lunch fund 8400 to the School Lunch fund. However, the subsidiary student account listings were not being properly reconciled to the Prepaid Lunch fund for any month during the audit period. As a result, the subsidiary student account listings reflected a balance less than the Prepaid Lunch fund balance in the amounts of \$1,172 and \$2,575 at June 30, 2023 and 2024, respectively. Failure to reconcile the student subsidiary account balance with the Prepaid Food fund internal control balance could result in errors in financial reporting going undetected.

Criteria

The SBOA opinion is that money a student puts into their individual meal account (prepaid food account) should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account, the balance should not be included in the School Lunch fund. It is required that the School Corporation set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, the School Corporation should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

BOND PROCEEDS NOT RECORDED PROPERLY

Condition and Context

Proceeds from the 2023 General Obligation Bond of \$1,853,008 were deposited into the School Corporation's bank account on December 6, 2023. The School Corporation did not properly record the receipt of funds at the time of the transaction. The School Corporation created a new subaccount within the GO Bond fund and established this subaccount with a beginning balance of \$1,853,008. A receipt was not recorded in the School Corporation's ledger for this transaction, which caused the receipts to be understated for fiscal year 2023-2024.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

ORDINANCES AND RESOLUTIONS - AVERAGE DAILY MEMBERSHIP

Condition and Context

The School Corporation was not in compliance with Policy 6250 - *Required ADM Counts for the Purpose of State Funding and Verification of Residency for Membership*. The School Corporation was not collecting proof of residency for its students, which was required by its policy. The School Corporation did not collect the required student residency documentation for the 28 students selected for testing.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2025, with Angie Wheelles, Treasurer; Jade W. Peters, Assistant Superintendent of Schools; Timothy W. Taylor, Superintendent of Schools; Brian Wheeler, President of the School Board; Jerry Hounshel, School Board member; Greg Hutcheson, School Board member; Patsy Hess, former Treasurer; and Joe Sheffer, High School Principal/Food Service Director.