

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

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOBLE COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED

03/24/2025

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	4-8
Overdrawn Cash Balances	8
Bank Account Reconciliations	9
School Food Systems - Prepaid Foods	9-10
Average Daily Membership (ADM) - Incorrect Reporting and Lack of Records.....	10-11
Capital Assets.....	11
Exit Conference.....	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tyler C. Osenbaugh Kimberly N. Baumgartner	07-01-22 to 08-22-23 08-23-23 to 06-30-25
Superintendent of Schools	Robert C. Morgan	07-01-22 to 06-30-25
President of the School Board	Eric J. Custer Amanda L. Lock	07-01-22 to 12-31-22 01-01-23 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 CENTRAL NOBLE COMMUNITY
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to the audit report of the Central Noble 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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Annual Financial Report
- Overdrawn Cash Balances
- Bank Account Reconciliations
- School Food Systems - Prepaid Foods
- Average Daily Membership (ADM) - Incorrect Reporting and Lack of Records
- Capital Assets

The noncompliance, resulting from internal control deficiencies, is further detailed in the comments below.

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 also appeared in prior Reports B52682 and B56950, entitled *ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES*, and B61179, entitled *ANNUAL FINANCIAL REPORT* and *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

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

Condition and Context

Financial and other information is required to be entered annually into the Indiana Gateway for Government Units financial reporting system, which is the source of the School Corporation's Annual Financial Report (AFR). The School Corporation filed its AFR as prescribed; however, the AFR components contained the following errors:

Financial Data

The School Corporation omitted the following 13 funds as detailed below. As a result, the beginning cash and investments balance as of July 1, 2022, was understated by \$31,394. The receipts and disbursements for fiscal year 2022-2023 were understated by \$802 and \$48,632, respectively, which resulted in the ending cash and investments balance as of June 30, 2023, to be overstated by \$16,436. The receipts and disbursements for 2023-2024 were understated by \$176,655 and \$141,803, respectively, which resulted in the ending cash and investments balance as of June 30, 2024, to be understated by \$18,416.

- Wolf Lake Comfortable Learning
- 18-19 Early Intervention Grant
- Career/Tech Performance Grant
- TAG 2021
- High Ability 2021-22
- Title IV FY 20
- FFY 2021 Title II Part A
- Insurance Liability Clearing
- Judgements
- 2024-2025 Grants
- BSCA Grant
- SY 2022-2024 Title II Part A
- Title II - FFY 23

There were 12 additional errors in the reporting of receipts and disbursements for 10 reported funds. For 2022-2023, receipts were understated by \$50,755 and disbursements were overstated by \$3,861, resulting in the ending cash and investments balance to be understated by \$54,616. For 2023-2024, receipts were overstated by \$2,968 and disbursements were understated by \$2,114 resulting in the ending cash and investments balance to be understated by \$49,534.

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

The submitted AFR information is used to generate the financial statement and Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report of the School Corporation. Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement and Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis presented in the Financial Statement Audit Report of the School Corporation.

Grants

The School Corporation is required to report grant information in its AFR, which is the basis for the Schedule of Expenditures of Federal Awards (SEFA) presented in the Federal Compliance Audit Report of the School Corporation. The SEFA presented for audit included the following errors:

- 10.553 School Breakfast Program: omitted grant resulting in an understatement in the amounts of \$72,856 and \$64,167 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program: omitted grant, resulting in an understatement in the amounts of \$366,994 and \$272,988 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program Commodities: understated by \$6,845 and \$6,500 for 2022-2023 and 2023-2024, respectively.
- 10.555 National School Lunch Program Supply Chain Assistance: omitted grant, resulting in an understatement in the amounts of \$66,386 and \$40,559 for 2022-2023 and 2023-2024, respectively.
- 10.575 Farm to School Grant Program: omitted grant, resulting in an understatement in the amount of \$489 for 2023-2024.
- 10.649 Pandemic EBT Administrative Costs: omitted grant, resulting in an understatement in the amount of \$628 for 2022-2023.
- 84.010 Title I Grants to Local Educational Agencies: understated by \$4,916 for 2022-2023 and omitted the 2022 grant, resulting in an understatement in the amount of \$164,114 for 2023-2024.
- 84.367 Supporting Effective Instruction State Grants: overstated the 2020 grant for 2022-2023 in the amount of \$22,528, and omitted the 2021 grant, resulting in an understatement in the amount of \$29,303 for 2023-2024.
- 84.424 Student Support and Academic Enrichment Program: omitted the 2023 grant, resulting in an understatement of \$4,210 for 2023-2024.
- 84.425 COVID-19 - Education Stabilization Fund: overstated grant in the amount of \$20,950 for 2023-2024.
- 93.778 Medical Assistance Program: overstated grant in the amount of \$241 for 2023-2024.
- Other errors included omitted assistance listings numbers, incorrect program names, and incorrect identifying numbers.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
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 of the School Corporation.

Accounts Payable and Receivable

The School Corporation did not report any Accounts Payable and Receivable in its AFR. The School Corporation should have reported accounts payable based on unpaid claims as of June 30, 2023 and 2024. Additionally, the School Corporation should have reported accounts receivable based on existence of reimbursable grants, curricular materials billings due, and negative school lunch accounts.

Due to the presumed material understatement noted, the School Corporation approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report of the School Corporation.

Leases and Debt

The School Corporation omitted the following leases in its AFR for 2023-2024:

- Central Noble 2012 Building Projects Inc. Mortgage Bonds 2014, resulting in an annual lease payment understatement of \$731,500.
- Central Noble 2012 Building Projects Inc. Mortgage Bonds 2020, resulting in an annual lease payment understatement of \$148,000.

The School Corporation omitted the following debt in its AFR for 2023-2024:

- Common School Fund Technology Advancement Loan #B0332, resulting in an ending principal balance and principal due within one year understatement of \$58,250 and \$38,834, respectively.
- Common School Fund Technology Advancement Loan #B0455, resulting in an ending principal balance and principal due within one year understatement of \$32,000 and \$6,400, respectively.

The School Corporation reported the General Obligation Bond of 2018 and 2022 in its AFR for 2023-2024; however, the ending principal balance for the General Obligation Bond of 2018 was understated by \$765,000 and the ending principal balance for the General Obligation Bond of 2022 was overstated by \$765,000.

The submitted AFR information is used to generate the Schedule of Leases and Debt presented in the Financial Statement Audit Report of the School Corporation. Audit adjustments were proposed, accepted by the School Corporation, and made to the Schedule of Leases and Debt presented in the Financial Statement Audit Report of the School Corporation.

CENTRAL NOBLE 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](#)."

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Reports B52682, B56950, and B61179, entitled *OVERDRAWN CASH BALANCES*.

Condition and Context

The financial statement presented for audit included funds with overdrawn cash balances as of June 30, 2023 and 2024, which were not attributed to grant expenditures awaiting reimbursements.

Fund	Amount Overdrawn June 30, 2023	Amount Overdrawn June 30, 2024
Retirement/Severance Bond Debt Service	\$ 1,044	\$ -
Construction 2020	6,196	-
Curricular Materials Rental	37,891	134,430
Self Insurance	221,560	-
Early Intervention Grant 2022-2023	3,850	-
High Ability 2022-2023	3,999	6,090
High Ability 2021-22	-	1,444
FY 20-22 Title IIA	7,988	-
FFY 2017 Title II	1,956	1,050
Federal Stimulus - 18003 Educ. Stab Reli	8,542	-
Holding Account	788	-
Federal Tax	504	504
Social Security	212	212
State Tax	739	485
Public Employees' Retirement	1,863	1,863
Group Insurance	1,644	23
Accident/Cancer/Etc Insurance	1,784	-

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)

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

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The following issues were identified with bank account reconciliations:

- For all 24 months during the audit period, bank account balance statements were not reconciled to the balances of public funds per the School Corporation's records, such as a Fund Ledger (Form 508) report, but instead were compared to the School Corporation's accounting system bank account balances.
- On June 30, 2023, the adjusted bank account balance showed \$25,859 more than the total balances of public funds as presented in the Financial Statement Audit Report of the School Corporation.
- On June 30, 2024, the adjusted bank account balance showed \$175,776 more than the total balances of public funds as presented in the Financial Statement Audit Report of the School Corporation.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SCHOOL FOOD SYSTEMS - PREPAID FOODS

A similar comment also appeared in prior Reports B52682, B56950, and B61179, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Conditions and Context

The following noncompliance was identified in relation to prepaid foods:

- The School Corporation did not use the proper fund number; 8400 Prepaid School Lunch Accounts and instead used fund number 8410.
- The School Corporation did not reconcile the balance of the Prepaid School Lunch Accounts fund with the total balance of the individual meal accounts.
- Fiscal year 2023, the Prepaid School Lunch Accounts fund balance was \$13,280 less than the total of all individual meal accounts. The reason for the variance was unidentified.
- Fiscal year 2024, the Prepaid School Lunch Accounts fund balance was \$56 less than the total of all individual meal accounts. Although the variance significantly decreased from the prior fiscal year, there were no reconciliations nor audit trail of adjustments to determine the validity of the decrease.

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

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 balance, it 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)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING AND LACK OF RECORDS

A similar comment appeared in prior Report B61179, entitled *AVERAGE DAILY MEMBERSHIP (ADM)*.

Condition and Context

The School Corporation incorrectly reported average daily membership (ADM) to the state and did not properly maintain ADM records. The School Corporation receives one hundred percent (100%) tuition support per attending brick-and-mortar student they report to the state. However, the School Corporation only receives eighty-five percent (85%) of the tuition support for students they report as attending virtual programs.

Brick and Mortar

The School Corporation did not maintain proof of enrollment and residency documents for 3 out of 28 students selected for testing. This may have resulted in the School Corporation receiving one hundred percent (100%) tuition support for ineligible students.

Virtual

For the October 2023 count date, the School Corporation incorrectly reported 13 virtual students as brick-and-mortar students. This may have resulted in the School Corporation receiving fifteen percent (15%) more tuition support from the state than allowed.

For the February 2024 count date, the School Corporation reported 16 virtual students. Out of 3 virtual students selected for testing, the School Corporation could only provide proof of enrollment and residency documents for 1 student. This may have resulted in the School Corporation receiving eighty-five percent (85%) tuition support for each ineligible student.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, 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)

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

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSETS

A similar comment also appeared in prior Report B61179, entitled *CAPITAL ASSETS*.

Condition and Context

The capital asset ledger provided by the School Corporation made capital assets indistinguishable from noncapital assets. We were unable to determine if the capital asset ledger was complete and contained all necessary aspects of the prescribed form (Form 369). The commingled ledger was updated as of June 30, 2023, by a contracted vendor but was not properly maintained by the School Corporation during fiscal year 2024.

The School Corporation did adopt a capital asset policy; however, the policy did not meet the regulatory reporting requirements established by the Indiana State Board of Accounts and instead refers to reporting requirements of Generally Accepted Accounting Principles (GAAP).

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2025, with Kimberly N. Baumgartner, Treasurer; Robert C. Morgan, Superintendent of Schools; Amanda L. Lock, President of the School Board; and Jamie Howard, School Corporation Secretary/Grant Coordinator.