

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

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

COMPLIANCE EXAMINATION REPORT

OF

SHELBY EASTERN SCHOOLS

SHELBY COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

03/25/2025



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

March 25, 2025

To: The Officials of the Shelby Eastern Schools
Shelby Eastern Schools
Shelby County, Indiana

This report is supplemental to the audit report of Shelby Eastern Schools (School Corporation), for the period July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any findings that pertain to the School Corporation. It should be read in conjunction with the financial statement audit report of the School Corporation, which provides an opinion on the School Corporation's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the School Corporation and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The findings contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the supplemental report of Shelby Eastern Schools prepared by Crowe LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2024. In our opinion, the supplemental report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 5.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
SHELBY EASTERN SCHOOLS
Shelby County, Indiana
July 1, 2022 through June 30, 2024

SHELBY EASTERN SCHOOLS

Shelby County, Indiana
July 1, 2022 through June 30, 2024

CONTENTS

SCHEDULE OF OFFICIALS 1

INDEPENDENT ACCOUNTANT'S REPORT 2

SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:

 2024-001: OVERDRAWN CASH BALANCES 3

 2024-002: SCHEDULES IN ANNUAL FINANCIAL REPORT 3

 2024-003: ANNUAL FINANCIAL REPORT 4

 2024-004: RECONCILEMENT OF THE PREPAID FOOD ACCOUNT 4

 2024-005: MISSING GATEWAY UPLOADS 5

EXIT CONFERENCE 6

SHELBY EASTERN SCHOOLS
SCHEDULE OF OFFICIALS
July 1, 2022 through June 30, 2024

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chris Scott	07-01-22 to 06-30-24
Superintendent of Schools	Todd Hitchcock	07-01-22 to 06-30-24
President of the School Board	Ben Kuhn	01-01-22 to 12-31-24

INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Shelby Eastern Schools

We have examined Shelby Eastern Schools' ("School Corporation") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* during the period of July 1, 2022 through June 30, 2024. Management of the School Corporation is responsible for the School Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the School Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the School Corporation's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* applicable to the School Corporation during the period of July 1, 2022 through June 30, 2024, as described in items 2024-001, 2024-002, 2024-003, 2024-004, and 2024-005 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the aforementioned requirements during the period of July 1, 2022 through June 30, 2024.


Crowe LLP

Indianapolis, Indiana
February 21, 2025

SHELBY EASTERN SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-001: OVERDRAWN CASH BALANCES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations states in part, "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."

Condition: During testing of cash fund balances, we noted the following fund that was not cost-reimbursement based with a cash balance below zero as of June 30, 2023 and June 30, 2024:

<u>Fund</u>	<u>Amount Overdrawn June 30, 2023</u>	<u>Amount Overdrawn June 30, 2024</u>
Educational License Plates	480	442
Prepaid School Lunch Accounts	21,014	44,169
County Tax	28,185	27,155
Ind State Teachers Retire	2,768	2,923
Social Security - Medicare	6,707	6,707
Garnishments	23	23
Istr Voluntary Deductions	234	475

FINDING 2024-002: SCHEDULES IN ANNUAL FINANCIAL REPORT

Criteria: Indiana Code 5-11-1-4(a) states, "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."

Condition: Financial 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 information entered into Gateway contained the following errors:

Schedule of Leases and Debt

- The School Corporation reported the remaining outstanding balance on the Building Corporation's Bonds rather than the annual lease payments due through the building corporation next year for the 2019, 2021, 2023A, and 2023B leases.

Schedule of Payables and Receivables:

- The School Corporation reported a \$0 balance for accounts receivable as of June 30, 2024 in the Schedule of Payables and Receivables. However, the School Corporation had open receivables for reimbursable grant activity as of June 30, 2024.

Adjustments were posted to the Schedule of Leases and Debt and the Schedule of Payables and Receivables in the financial statement to correct these items.

(Continued)

SHELBY EASTERN SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-003: ANNUAL FINANCIAL REPORT

Criteria: Indiana Code 5-11-1-4(a) states, *"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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."*

Condition: During testing of Annual Financial Report submissions, we noted the FY23 Annual Financial Report was submitted on September 18, 2023, 20 days after the due date. This is a repeat finding from report B61327.

FINDING 2024-004: RECONCILEMENT OF THE PREPAID FOOD ACCOUNT

Criteria: When a student puts money into their individual meal account, it 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 money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Condition: The School Corporation maintains a Prepaid Lunch fund (8400 fund). There was no reconciliation performed between the subsidiary ledger tracking prepaid student balances and the School Corporation's fund ledgers. At June 30, 2023, the subsidiary ledger had a prepaid balance of a negative \$27,083 compared to the funds ledger balance of a negative \$21,014. At June 30, 2024, the subsidiary ledger had a prepaid balance of a negative \$25,672 compared to the funds ledger balance of a negative \$44,169.

(Continued)

SHELBY EASTERN SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-005: MISSING GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (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. The Directive was amended with additional required uploads effective December 2023.

The following files and governmental unit information are required to be uploaded monthly by all units:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

The following files and governmental unit information are required to be uploaded annually by all units:

- Year-end investment statements and register of investments
- Excel Data Capture/ Data Dump
- Detail of Receipts by fund and account
- Detail of Disbursements by fund and account
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund
- Accounts Payable/ Accounts Receivable Schedule support
- Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year
- Agreements for Subawards made to Subrecipients for all Federal Grants initiated during the year
- Personnel Policy (to be uploaded in 2023 and in future years if updated)

Additionally, for Schools only:

- School Lunch Prepaid Account Balance Report as of June 30
- Approved Salary Schedule for Noncertified Employees and Amendments

Condition: During testing, we noted the School Corporation did not upload the following items:

- FY23 year-end investment statements
- FY23 school lunch prepaid account balance report
- All FY24 annual uploads
- August through December 2023 board minutes and June 2024 board minutes

SHELBY EASTERN SCHOOLS
EXIT CONFERENCE
July 1, 2022 through June 30, 2024

The contents of this report were discussed on February 21, 2025 with Chris Scott, Treasurer, Todd Hitchcock, Superintendent, Roseann Biddle, Deputy Treasurer, and Ben Kuhn, School Board President.