

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

COMPLIANCE ENGAGEMENT REPORT

OF

LOST RIVER CAREER COOPERATIVE

ORANGE COUNTY, INDIANA

July 1, 2019 to June 30, 2023



**FILED**  
05/06/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Naomi Heinz Chelsea Smith	07-01-19 to 06-30-23 07-01-23 to 06-30-24
Director	Kevin Knies	07-01-19 to 06-30-24
President of the Cooperative Board	Doug Pittman Ralph E. Purkhiser	07-01-19 to 12-31-22 01-01-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LOST RIVER CAREER COOPERATIVE, ORANGE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Lost River Career Cooperative (Cooperative), for the period of July 1, 2019 to June 30, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Cooperative as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Cooperative's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Kevin Knies, Director; Chelsea Smith, Treasurer; Jason Goodman, Assistant Director; and Ralph E. Purkhiser, President of the Cooperative Board, on May 1, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 10, 2024

## LOST RIVER CAREER COOPERATIVE COMMENTS

### **ANNUAL FINANCIAL REPORT**

#### *Condition and Context*

Internal controls were not in place to ensure financial and other information required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system was accurate. This information was the source of the Cooperative's financial statements. The following errors occurred:

#### *Financial Data*

- The Cooperative did not include the payroll withholding funds for 2020. As a result, the beginning cash balance, receipts, disbursements, and ending cash and investment balance for 2020 were understated by \$12,122; \$238,805; \$245,023; and \$5,894, respectively.
- The July 1, 2022 beginning cash and investment balances of the Education, Operations, and Basic Grant 2020-21 were understated by \$196,897; \$50,230; \$37,178; and the Payroll Withholding fund was overstated by \$7,818, respectively.
- The receipts and disbursements for the Basic Grant 2020-21 were overstated in 2022 by \$62,190 and \$69,188, respectively.
- The receipts and disbursements for the Basic Grant 2021-22 were understated in 2022 by \$62,190 and \$69,188, respectively.
- The receipts for the Earn Grant fund were overstated in 2023 by \$1,433.
- The receipts for the Earn Expansion Grant fund were understated in 2023 by \$1,433.

Adjustments were proposed, accepted by the Cooperative, and made to the financial statement presented in this report.

#### *Capital Assets*

The capital assets information entered into Gateway could not be verified since the Cooperative did not maintain a detailed listing of all capital assets. The Cooperative reported capital assets of \$1,583,395 at June 30, 2023.

#### *Criteria*

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

"The state examiner shall require from every audited entity financial report 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](#)."

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)

LOST RIVER CAREER COOPERATIVE  
COMMENTS  
(Continued)

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. . . ."

## **CAPITAL ASSETS**

This same comment appeared in a Management Letter addressed to the Officials of the Cooperative for the audit period ending June 30, 2019.

### *Condition and Context*

Internal controls were not in place to ensure capital asset records were maintained. The Cooperative had not adopted a capital assets policy that details the threshold at which an item is considered a capital asset. The Cooperative kept a list of additions and deletions during the audit period but did not maintain a cumulative detailed listing of all capital assets owned which reflects their acquisition value, nor was a capital asset policy presented for review. In addition, a physical inventory has not been completed in two years, as required. The Cooperative reported total capital assets in the Annual Financial Report in the amount of \$1,583,395, at June 30, 2023.

### *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)

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LOST RIVER CAREER COOPERATIVE  
COMMENTS  
(Continued)

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## **COMPENSATION AND BENEFITS**

### *Condition and Context*

Internal controls were not in place to ensure that all compensation and benefits were adopted by the governing board. The Cooperative could not provide an ordinance or resolution during the audit period showing a Cooperative Board approved rate of pay for the Cooperative Board members.

The Director's Salary Contract is re-negotiated every two years, and the teacher contracts are re-negotiated annually. The Director's contract states that he will receive the same pay raise as the teachers every year; however, documentation was not presented to support the salary increase of \$1,100 per year starting in FY22; however, the teachers' contract included an increase of \$1,200.

### *Criteria*

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 1)

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:

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND OTHER FINANCING SOURCES  
(USES), AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS

LOST RIVER CAREER COOPERATIVE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended June 30, 2020 and 2021

Fund	Cash and Investments 07-01-19	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-20	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-21
Education	516,289	1,008,016	968,347	-	555,958	1,090,192	1,049,561	-	596,589
Operations	224,141	363,615	287,917	-	299,839	349,566	270,656	-	378,749
Indiana Youth Institute Grant	281	-	281	-	-	-	-	-	-
Teacher Appreciation Grant	-	3,560	3,560	-	-	11,332	11,332	-	-
Basic Grant 2018-19	(33,121)	62,665	29,543	-	1	-	-	-	1
Basic Grant 2019-20	-	45,153	50,922	-	(5,769)	17,524	11,755	-	-
Basic Grant 2020-21	-	-	-	-	-	36,499	77,914	-	(41,415)
Basic Grant 2021-22	-	-	-	-	-	-	-	-	-
Elementary And Secondary School Emergency	-	-	-	-	-	-	-	-	-
Federal Tax	-	78,382	78,382	-	-	79,738	79,738	-	-
Teaching FICA	-	59,100	59,100	-	-	65,064	65,064	-	-
State Tax	3,858	28,127	29,546	-	2,439	32,472	32,055	-	2,856
County Tax	1,861	13,284	14,042	-	1,103	14,821	14,591	-	1,333
Life Insurance	-	39	39	-	-	39	39	-	-
Health Insurance	5,014	31,396	34,623	-	1,787	29,698	29,622	-	1,863
Annuities	320	3,839	4,159	-	-	5,459	5,459	-	-
Non Teaching FICA	-	4,795	4,795	-	-	4,297	4,297	-	-
AFT Union Dues	540	6,480	7,020	-	-	6,804	6,804	-	-
Cancer Insurance	319	6,677	6,431	-	565	8,115	7,574	-	1,106
Health Savings Account	200	6,686	6,886	-	-	8,970	8,970	-	-
<b>Totals</b>	<b>\$ 719,702</b>	<b>\$ 1,721,814</b>	<b>\$ 1,585,593</b>	<b>\$ -</b>	<b>\$ 855,923</b>	<b>\$ 1,760,590</b>	<b>\$ 1,675,431</b>	<b>\$ -</b>	<b>\$ 941,082</b>

LOST RIVER CAREER COOPERATIVE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended June 30, 2022 and 2023

Fund	Cash and Investments 07-01-21	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-22	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-23
Education	\$ 596,590	\$ 1,209,579	\$ 1,193,137	\$ -	\$ 613,032	\$ 1,244,055	\$ 1,330,101	\$ -	\$ 526,986
Operations	378,750	359,563	295,046	-	443,267	484,276	323,315	-	604,228
Teacher Appreciation Grant	-	5,831	5,831	-	-	5,511	5,511	-	-
Earn Expansion Grant	-	-	1,433	-	(1,433)	-	(1,433)	-	-
Basic Grant 2020-21	(41,415)	42,928	1,513	-	-	-	-	-	-
Basic Grant 2021-22	-	62,190	69,188	-	(6,998)	32,826	25,828	-	-
2022-23 Perkins Basic Grant	-	-	-	-	-	67,444	69,419	-	(1,975)
Earn Grant	-	-	-	-	-	-	4,549	-	(4,549)
Elementary And Secondary School Emergency	-	3,266	3,266	-	-	-	-	-	-
Payroll Withholdings	7,157	279,373	279,854	-	6,676	324,187	329,013	-	1,850
<b>Totals</b>	<u>\$ 941,082</u>	<u>\$ 1,962,730</u>	<u>\$ 1,849,268</u>	<u>\$ -</u>	<u>\$ 1,054,544</u>	<u>\$ 2,158,299</u>	<u>\$ 2,086,303</u>	<u>\$ -</u>	<u>\$ 1,126,540</u>