

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION

PERRY COUNTY, INDIANA

July 1, 2021 to June 30, 2023



FILED

03/22/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra A. Elder	07-01-21 to 06-30-24
Superintendent of Schools	John A. Scioldo	07-01-21 to 06-30-24
President of the School Board	Tony W. Thomas Jim Whalen	07-01-21 to 12-31-23 01-01-24 to 06-30-24



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TELL CITY-TROY TOWNSHIP
SCHOOL CORPORATION, PERRY COUNTY, INDIANA

This report is supplemental to the audit report of the Tell City-Troy Township School Corporation (School Corporation), for the period from July 1, 2021 to June 30, 2023. 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 12, 2024

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

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, which was the source of the School Corporation's financial statement. The School Corporation had not established effective internal controls over the AFR information entered into Gateway. Although the Treasurer compiled, reviewed, and entered the School Corporation's information in Gateway, and the Superintendent of Schools reviewed and certified the information entered was accurate, the internal control was not effective and did not detect and allow correction of all errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit did not properly reflect the financial activity of the School Corporation. The following errors were noted:

Financial Data

- The activity of the 2021 Construction fund was not reported on the financial statement. The School Corporation (Lessee) amended its existing Lease Rental Agreement with the Tell City-Troy Township School Building Corporation (Lessor) for the construction, renovation, equipping, and rehabilitation of certain facilities owned by the School Corporation (the "Project"). In order to obtain funding to finance the Project, the Tell City-Troy Township School Building Corporation issued the Tell City-Troy Township School Building Corporation Ad Valorem Property Tax First Mortgage Bonds, Series 2021, in the amount of \$2,725,000 on October 21, 2021. The Bond Resolution, approved by the School Corporation on September 14, 2021, authorized the issuance of the bonds, the amendment of the School Corporation's lease with the School Building Corporation, and the sale of the real estate to the School Building Corporation on which the project was located. Exhibit B of the Arbitrage and Tax Compliance Certificate of the Tell City-Troy Township School Building Corporation for the bond issue states: "In consideration for the sale to the Building Corporation of certain real estate of the School Corporation, on which a portion of the Project will be constructed (the 'Real Estate'), the Building Corporation will be deemed to have paid the School Corporation the sum of \$2,000,000 (the 'School's Funds') which, at the direction of the School Corporation, will be held under the Indenture in the 2021 Construction Account to be spent on costs of the Project."

On October 21, 2021, the net proceeds of the bond issuance, including the \$2,000,000 due the School Corporation for the sale of real estate, was deposited in the School Building Corporation's bank account. The \$2,000,000 and related interest earned were not reported on the School Corporation's financial statement. As a result, other financing sources and the ending cash and investments balance were each understated by \$2,000,000 in fiscal year 2021-2022, receipts and the ending cash and investments balance were understated by \$13,183 and \$2,013,183, respectively, in 2022-2023.

- Financial activity was included in the School Corporation's financial statement due to improperly reporting cash transfers between bank accounts as both other financing sources and uses of the Education fund. As a result, other financial sources and uses in the Education fund were both overstated by \$5,890,000 and \$6,130,000 in 2021-2022 and 2022-2023, respectively.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The School Corporation also improperly reported the purchase and sale of investments within the Rainy Day fund. As a result, other financing sources and disbursements in the Rainy Day fund were both overstated by \$750,000 in 2021-2022 and 2022-2023. The ending cash and investments balances at each year end were unaffected by these errors.

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

Grant Information

- The Child Nutrition Cluster expenditures were understated by \$77,169 in 2022-2023.
- The Medical Assistance Program expenditures were understated by \$32,920 and \$36,628 in 2021-2022 and 2022-2023, respectively.
- There were four programs omitted from the grant schedule which resulted in an understatement of expenditures in the amount of \$69,604.
- Other errors included incorrect program names, identifying numbers, and pass-through identification numbers.

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

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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Indiana Public School Corporations, 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:

"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.

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

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 Corporation, Chapter 1)

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 51-15-1-1.

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)

PREPAID SCHOOL FOOD ACCOUNTS

Condition and Context

The Cafeteria Prepaid Food fund, fund number 8400, was set up by the School Corporation prior to the current audit period, with Prepaid Student Meal Accounts established for each school building. Daily transfers were being made from fund 8400 to the School Lunch fund. However, the subsidiary student account listings were only being reconciled to the summary reports at the end of each school year, instead of on a monthly basis, with an amount being transferred from the School Lunch fund to make the Cafeteria Prepaid Food fund and the subsidiary account listings balance at each year end.

Criteria

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 it should not be included in the School Lunch fund. It is required that you 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, you 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

TELL CITY-TROY TOWNSHIP SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2024, with Debra A. Elder, Treasurer; John A. Scioldo, Superintendent of Schools; and Jim Whalen, President of the School Board.