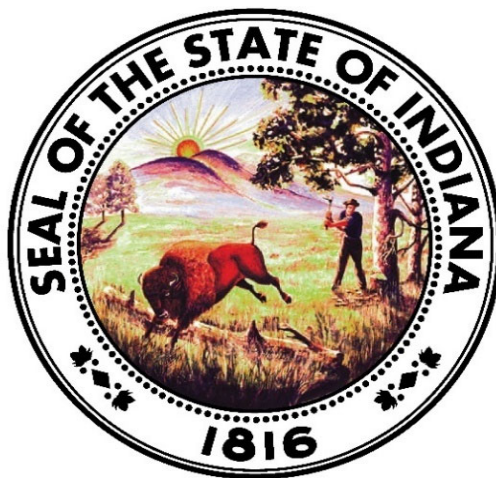


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF
TIPTON COMMUNITY SCHOOL CORPORATION
TIPTON COUNTY, INDIANA
July 1, 2020 to June 30, 2022



FILED
02/24/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Phillips (Vacant) Dawn Benefiel Brook Cleaver	07-01-20 to 07-08-22 07-09-22 to 07-10-22 07-11-22 to 09-11-22 09-12-22 to 06-30-23
Superintendent of Schools	Dr. Ryan Glaze	07-01-20 to 06-30-23
President of the School Board	Gary Plumer Jennifer Humrichous	07-01-20 to 12-31-22 01-01-23 to 06-30-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TIPTON COMMUNITY SCHOOL
CORPORATION, TIPTON COUNTY, INDIANA

This report is supplemental to our audit report of the Tipton Community School Corporation (School Corporation), for the period from July 1, 2020 to June 30, 2022. 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 our 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

January 26, 2023

TIPTON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FUND SOURCES AND USES - TRANSFERS

A similar comment appeared in the prior Report B56762.

Condition and Context

Of the 20 transfers of funds tested, 10 did not have evidence that the governing body approved them. In addition, the School Corporation was not able to provide supporting documentation for grant funds in the amount of \$129,000, that were transferred from the Elementary And Secondary School Emergency fund to the Education fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

OVERDRAWN CASH BALANCES

Condition and Context

The School Corporation had the following non-grant funds with overdrawn cash balances:

Fund	Amount Overdrawn at June 30, 2021	Amount Overdrawn at June 30, 2022
Petty Cash Clearing Account	\$ 253	\$ -
Outdoor Facility Improvements 2022C	-	981,562
Hs Interior Phase I 2022A	-	328,153
Elem Interior 2022B	-	312,204
Ms Interior 2023	-	23,035
Hs Interior Phase II 2024	-	23,035
E-S Over/Short	272	272
State Tax	330	330
Total County Tax	129	129
Fica - Non Teaching	49	49
Great-West Life & Annuity Ins Co	3,545	3,545
Income Protection	9	-

TIPTON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

The School Corporation did not have adequate internal controls to ensure the accurate reporting of its Other Information in the Annual Financial Report (AFR).

The grant information reported in the AFR was used to compile the Schedule of Expenditures of Federal Awards (SEFA). The SEFA contained numerous incorrect grant expenditure amounts, totaling \$823,550.

On the Schedule of Leases and Debt, the total Annual Lease Payment amount was overstated by \$1,005,400, and the General Obligation Bonds Series 2017 bond issue was incorrectly reported as a lease instead of debt.

Adjustments to the SEFA and the Schedule of Leases and Debt were proposed, accepted by the School Corporation, and made to the schedules.

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. . . ."

"The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

TIPTON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 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 Corporation, Chapter 1)



TCSC

TIPTON COMMUNITY SCHOOL CORPORATION

1051 S. Main Street • Tipton, Indiana 46072 • Office: 765-675-2147 • Fax: 765-675-3857

February 1, 2023

VIA ELECTRONIC EMAIL and REGULAR U.S. MAIL

Indiana State Board of Accounts
302 West Washington St., Room E 418
Indianapolis, IN 46204-2765

Re: Tipton Community School Corporation
Official Response – Overdrawn Cash Balances
SBOA Audit Period: 7/1/20 – 6/30/22

To Whom It May Concern:

The purpose of this correspondence is to officially respond to the audit results and comments concerning overdrawn cash balances for the audit period 7/1/20 – 6/30/22.

As stated during our exit conference, Mr. Jeffrey Qualkinbush of Barnes & Thornburg represented the school corporation with respect to the 2022 bond sale and resulting construction projects. Upon learning that the SBOA took exception to negative balances which existed in the 2022 construction funds at June 30, 2022, we contacted Mr. Qualkinbush for his assistance and official opinion. Set forth below are the overdrawn accounts noted by SBOA and explanatory comments by each, along with Mr. Qualkinbush's letter dated 1/25/2023 pasted below. TCSC had sufficient fund balances to offset any short term negative balances until bond proceeds arrived in the 2022 construction accounts on 7/14/22.

Fund	Overdrawn at June 30, 2021	Overdrawn at June 30, 2022
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Corrected, this is a clearing account for ECA purchases on Corporation's Amazon or Credit Card Accounts. Once ECAs reimburse, the account is restored. This was paid back to corp on 7-6-21 \$252.89, rounded \$253

Petty/Cash Clearing Account	\$ 253	\$ -
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Negatives in these exact amounts have existed on fund ledger since 6/30/2018. Discussed how to correct with SBOA. Suggested a transfer from operations fund to bring back to -0- and monitor moving forward

E-S Over/Short	272	272
State Tax	330	330
Total County Tax	129	129
Fica - Non Teaching	49	49

Positive Fund in clearing accounts that exist in this exact amount, simple correcting entry needed. Existed as of 6/30/2020 in these same amounts

Great-West Life & Annuity Ins Co	3,545	3,545
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Corrected, contains positive balance

Income Protection	9	-
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2022 Construction Projects, Bond Proceeds received on 7/14/22 for each project as follows:

Outdoor Facility Improvements 2022C	-	981,562	5,674,451.56
Hs Interior Phase I 2022A	-	328,153	5,789,239.06
Elem Interior 2022B	-	312,204	5,214,663.85

Note: Jeffrey Qualkinbush of Barnes & Thornburg was counsel on the bond issues.

Upcoming projects. Per Mr. Qualkinbush's advice, the 2022 Bond Projects can fund these future projects if sufficient cash flows exist. However, TCSC, has sufficient fund balances to cover these expenses without creating additional bookkeeping duties. These negative balances during the short term are not a sign of financial problems (material or otherwise).

Ms Interior 2023	-	23,035
Hs Interior Phase II 2024	-	23,035

Working Together for Student Success

www.tcsc.k12.in.us

BARNES & THORNBURG LLP

Jeffery J. Qualkinbush
(317) 231-7753
jqalkin@btlaw.com

11 S. Meridian Street
Indianapolis, IN 46204-3535 U.S.A.
(317) 236-1313
Fax (317) 231-7433

www.btlaw.com

January 25, 2023

VIA ELECTRONIC MAIL

Dr. Ryan Glaze, Superintendent
Ms. Brook Cleaver, Treasurer
Tipton Community School Corporation
1051 S Main St
Tipton, Indiana 46072

Re: Tipton Community School Corporation 2022 Construction Funds

Dear Brook and Ryan:

It is my understanding that the auditors for the State Board of Accounts is taking exception to the negative cash balances in each of the three 2022 Construction Funds that existed as of June 30, 2022. Such treatment for these three 2022 Construction Funds is not correct or consistent with past practice by the State Board of Accounts for the reasons set forth in this letter and based on the advice we provided to the Tipton Community School Corporation (the "School Corporation") in 2022 on these matters.

First, as you know the three bond issues which funded these three 2022 Construction Funds were sold on June 22, 2022, and closed on July 14, 2022. At the time those bonds were issued, all three 2022 Construction Funds were funded with the proceeds from the respective series of bonds and the negative cash balances were eliminated. Second, the approach to apply expenses against the three 2022 Construction Funds was done consistent with the appropriation for each 2022 Construction Fund approved by the Board of School Trustees on April 12, 2022. Third, the School Corporation did not transfer available money from another fund to each of the 2022 Construction Funds in 2022 prior to the issuance of the three series of 2022 bond issues because it would have required additional book-keeping entries that are not necessary when the School Corporation knew it was going to fund the three 2022 Construction Funds during the 2022 calendar year. Fourth, for all of the foregoing reasons, many public school corporations act in this same manner for such construction funds, and the State Board of Accounts has not taken an exception in the past with respect to such public school corporations. Finally, this was all done by the School Corporation in accordance with the plan established by the School Corporation in consultation with its attorneys at Barnes & Thornburg LLP, and the negative cash balances as of June 30, 2022, and these negative fund balances during a short period of time during the 2022 calendar year were not a sign of financial problems (material or otherwise) of the School Corporation.

Accordingly, for all of the foregoing reasons, the exception being taken by the auditors for the State Board of Accounts with respect to the three 2022 Construction Funds is in correct and not consistent with its past practice with respect to such construction funds. Please feel free to contact me if you have any questions on this matter. Thank you for your cooperation.

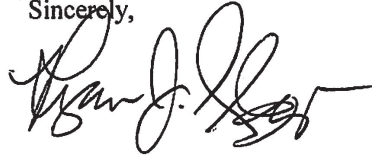
Sincerely,



Jeffery J. Qualkinbush

Please feel free to contact me at (765) 675-2147 or by email at rglaze@tcsc.k12.in.us should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan J. Glaze". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dr. Ryan Glaze
Superintendent

TIPTON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2023, with Brook Cleaver, Treasurer; Dr. Ryan Glaze, Superintendent of Schools; Adam Proulx, Food Service Director; Robert Cochrane, School Board member; and Jennifer Humrichous, President of the School Board.