



# SBOA Update

**Chase Lenon, CPA**

**Director of Audit Services**

## Contact Information



- Website – <https://www.in.gov/sboa/4445.htm>
- Phone – (317) 232-2512
- Email – [Schools.Townships@sboa.in.gov](mailto:Schools.Townships@sboa.in.gov)

## Basis of Accounting



- GAAP Basis of Accounting and Reporting
  - Generally Accepted Accounting Principles
- Regulatory Basis of Accounting and Reporting
  - Prescribed by State Examiner

## Relevant Statutes



- IC 5-1-11.5-3 – **GAAP** Reporting Required
  - **ADM** greater than 15,000
- IC 5-11-1-30 – Request for GAAP Audit
  - School Board Resolution
  - **Must** request within 60 days before FY close
  - Must maintain GAAP records

## Fund Types:

Governmental Accounting Standards Board (GASB)  
codification 1330.



- *Added to the **end of Chapter 4** of the *School Manual*.*

- Governmental Funds

- General
- Special Revenue
- Debt Service
- Capital Projects
- Permanent

- Proprietary Funds

- Enterprise
- Internal Service

- Fiduciary Funds

- Pension (and other employee benefit) Trust
- Investment Trust
- Private Purpose
- Custodial

Legend of Fund Types	
1	General Fund
2	Special Revenue Fund
3	Debt Service
4	Capital Projects
5	Permanent
6	Enterprise
7	Internal Service
8	Pension Trust
9	Private Purpose Trust
10	Investment Trust
11	Custodial
*	Placeholder, Clearing Account, or Other

<u>Fund #</u>	<u>Fund Name</u>	<u>Fund Type</u>
100	Education	2
160	Operating Referendum Tax Levy	2
170	Referendum Controlled Project Tax Levy	3
200	Debt Service	3
220	School Safety Referendum Debt Service	3
250	Retirement/Severance Bond Debt Service	3
290	Exempt Debt (Lake and St. Joe Co. Only)	3
291	Exempt Pension Debt (Lake and St. Joe Co. Only)	3
292	Referendum Debt - Exempt Capital	4
293	Referendum Debt – Post 2009	4

## Fund Types



### General Fund - *Defined as:*

- Accounts for and reports tax & other receipts not allocated to another fund.
- The Operations or Education Fund are not classified as a General Fund.
- Schools no longer have a 'General' Fund!

## Fund Types



### Special Revenue - *Defined as:*

- Accounts for and reports sources restricted or committed to **expenditures for specific purposes.**
- Examples:
  - Education Fund
  - Operations Fund
  - School Lunch
  - Textbook Rental



## Fund Types



### Debt Service - *Defined as:*

- Accounts for and reports sources restricted, committed, or assigned for principal & interest.
- Should be used to report resources **if legally mandated**.
- Includes resources accumulated for both current & long-term principal and interest payments.
- Examples:
  - Debt Service Fund
  - Retirement/Severance Bond Debt Service

# Fund Types



## Capital Projects - Defined as:

- Accounts for and reports resources **restricted, committed, or assigned for capital outlay**.
- Includes acquisition & construction of capital facilities and capital assets.
- Excludes capital-related activities financed by proprietary funds.
- Examples:
  - Construction
  - Referendum Debt – Exempt Capital

## Fund Types



### Permanent Fund - *Defined as:*

- Accounts for and reports resources restricted to only earnings (**not principal**) used to support the school's programs.
- "...benefit of the government or its' citizenry."
- Examples:
  - Local donation w/ Unspendable principal balance.

## Fund Types



### Enterprise Fund - *Defined as:*

- Accounts for and reports on **activities financed primarily by revenues generated by the activities themselves.**
- Athletics, bookstore operations, community swimming pool.
  - Others if operated mostly by user fees.
- Examples:
  - Schools shouldn't have many Enterprise Funds.

## Fund Types



### Internal Service Fund - *Defined as:*

- Accounts for and reports for the financing of goods or services provided by one fund, department, or agency to the other funds, departments, or agencies.
- Cost-reimbursement basis
- Examples:
  - IT services
  - Self-Insurance

# Fund Types



## Fiduciary Fund - *Defined as:*

- Types of Fiduciary Funds:
  - 1. **Trusts** – Reports all assets held in a trustee or agency capacity for others and therefore can't be used to support the school.
  - 2. **Custodial** – Reports fiduciary activities held by a school not required to be reported in trusts.
- Examples:
  - Pension, Investment, or Private Purpose Trusts
  - Judgements
  - Extracurricular groups

## Fund Types



### Other Fund - *Defined as:*

- Account for and report financial activity of **funds that don't meet the criteria of the other fund types.**
- Examples:
  - Payroll
  - Payroll Clearing

# Current Regulatory Basis - Financial Statements

STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER  
FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2019 and 2020

Fund	Cash and Investments 07-01-18	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-19
Teacher Appreciation Grant	-	-	-	-	-
High Ability Students	-	31,468	10,415	-	21,053
State Connectivity Grant	-	-	-	-	-
Innovative School Improvement Grant	(8,665)	-	-	-	(8,665)
Title I 2016-2017	899	-	-	-	899
Title I 2017-2018	(18,811)	113,625	94,814	-	-
Title I 2018-2019	-	226,077	337,455	-	(111,378)
Title I 2019-2020	-	-	-	-	-
IDEA 2019-2021, SE 611	-	-	-	-	-
IDEA Special Education Grant 2018-2019	-	-	606,684	-	(606,684)
IDEA Part B 2016-2017	(8,395)	-	(8,395)	-	-
IDEA Part B 2017-2018	(72,993)	102,463	29,909	-	(439)
IDEA Preschool 2016-2017	(10,678)	21,963	11,285	-	-
IDEA Preschool 2017-2018	(8,806)	22,819	14,013	-	-
Preschool Handicap 2019-2021	-	-	-	-	-
Career Incentives	(5,000)	-	-	-	(5,000)
Student Support, Title IV	-	-	-	-	-
Student Support, Title IV 2019-2021	-	-	-	-	-
Vocational and Technology Board Grants	5,220	(5,220)	-	-	-



# Enhanced Regulatory Basis - Financial Statements

## STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES - REGULATORY BASIS For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Fiduciary	Total
Cash and investments - beginning	\$ 57,257	\$ 1,209,029	\$ 1,031,317	\$ 6,594,453	\$ 1,474,857	\$ 213,864	\$ 10,580,777
<b>Receipts</b>							
Taxes	1,576,512	711,758	338,496	-	-	167,949	2,794,715
Licenses and permits	6,285	5,420	6,951	-	-	-	18,656
Intergovernmental	249,708	454,924	22,399	-	-	-	727,031
Charges for services	55,650	673,250	32,405	-	-	-	761,305
Fines and forfeits	706	992	-	-	-	-	1,698
Utility fees	-	-	-	-	2,275,463	-	2,275,463
Other receipts	9,143	128,894	8,219	4,614,205	225,377	599,740	5,585,578
<b>Total receipts</b>	<b>1,898,004</b>	<b>1,975,238</b>	<b>408,470</b>	<b>4,614,205</b>	<b>2,500,840</b>	<b>767,689</b>	<b>12,164,446</b>
<b>Disbursements</b>							
Personal Services	1,279,468	598,446	-	-	542,921	91,603	2,512,438
Supplies	75,068	123,703	-	-	-	-	198,771
Other Services and charges	463,030	1,284,744	236,869	-	39,054	34,439	2,058,136
Debt service - principal and interest	-	-	-	4,902,756	-	14,848	4,917,604
Capital outlay	16,129	220,274	75,000	-	-	-	311,403
Utility operating expenses	-	-	-	-	1,142,595	-	1,142,595
Other disbursements	36,231	14,996	-	-	725,193	596,224	1,372,644
<b>Total disbursements</b>	<b>1,869,926</b>	<b>2,242,163</b>	<b>311,869</b>	<b>4,902,756</b>	<b>2,449,763</b>	<b>737,114</b>	<b>12,513,591</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>28,078</b>	<b>(266,925)</b>	<b>96,601</b>	<b>(288,551)</b>	<b>51,077</b>	<b>30,575</b>	<b>(349,145)</b>
Cash and investments - ending	\$ 85,335	\$ 942,104	\$ 1,127,918	\$ 6,305,902	\$ 1,525,934	\$ 244,439	\$ 10,231,632

The notes to the financial statements are an integral part of this statement

## Audit Periods – Enhanced Regulatory



- Biennial Audits for the period of:
  - 7-1-20 to 6-30-22
- Next Round of audits for the period of:
  - 7-1-19 to 6-30-21 → still 'old' regulatory basis.
  - Should be starting those in late February.

## “Phase 1” Major Changes



- Combining Schedule removed from: “Other Information – Unaudited”
- Debt: Long-Term and Leases
  - Beginning balance, additions, and reductions added
- Interfund Activity (Temporary Transfers IC 36-1-8-4)
- Deficit Fund Balances
- Pensions and OPEB

## “Phase 2” Major Changes



- Capital Assets
  - Added: Beginning balance, additions, and reductions
  - Depreciation
- Conduit Debt
- Short Term Debt
- Joint Ventures
- Related Party Transactions
- Tax Abatements
- Extracurricular Activity Included

## Additional AFR Questions – Joint Ventures



- Question 15. “Do you participate in any joint ventures?”
- GASB Statement 14 para. 69:
  - A **joint venture** is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) **an ongoing financial interest** or (b) **an ongoing financial responsibility**. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. If the organization is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility, as defined in paragraphs 70 and 71, it is a jointly governed organization, rather than a joint venture.

## Additional AFR Questions – Related Parties



- Question 16. “Are there related party transactions?”
- GASB Statement 62 para. 57:
  - A related party is one that either:
    - Can significantly influence the management or operating policies of the transacting parties (for example, through imposition of will)
    - Has an ownership interest in one of the transacting parties and can significantly influence the other to the extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests

## Related Parties - Examples



- A **related party** can be:
  - A related organizations, joint venture or jointly governed organizations, (GASB 14)
  - **Elected and appointed officials** of the unit.
  - The **government's management**.
  - **Members of the immediate families** of elected or appointed officials.
  - **Other parties** if one party can significantly influence the management or operating policies of the other to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.
- Examples of related party transactions include:
  - Transactions between a related party with a **conflict of Interest**.
  - **Selling property at a price that differs significantly** from its appraised value.
  - **Exchanging property for similar property** in a nonmonetary transaction.

## Additional AFR Questions – Tax Abatements



- Question 17. “Is your unit affected by tax abatements through direct or **indirect** agreements?”
- “A tax abatement is an **agreement** between one or more governments and an individual or entity in which one or more governments promise **to forgo tax revenues to which they are otherwise entitled and** the individual or entity promises **to take a specific action** that contributes to economic development or benefits the government or citizens.”
- **Ask your County Auditor!**



# THANK YOU!



- For filing the Annual Financial Report!
- If you still need assistance on any new sections, please let us know.

## Additional AFR Changes



- Grant Schedule

- Optional upload process for grant reporting.
- Specifications will be available in the user guide and on our website under “Gateway”.

- Leases (GASB 87)

## GASB 87 Leases



- With GASB 87 there is no longer a distinction between capital and operating leases.
  - Previously:
    - If a unit were going to **own the asset at the end of the lease** (capital lease), they should capitalize the asset.
    - If they would **not own the asset at the end of the lease** (operating lease), they would not capitalize the asset
- GASB 87 requires all leases over one year to be shown as an asset (right to use) and a liability (lease payments).
- Receiving from DLGF's Gateway submissions.
  - When reviewing financials before the audit you will be given a 'form 13' to sign.  
**Please review these notes carefully for accuracy.**



# Data Capture Project

---



## Recent History



- Implemented to continue audits during the Public Health Emergency.
- Contacted units in May/June of 2020
  - Requested FY19 and FY20 data.

## Continuous Process



- Possibility to continue indefinitely.
- Vendors have become familiar with our requests.
- Requests will come from **Gateway as a direct request** if your vendor cannot provide.
  - Email address used → AFR submitter.
  - Limited Delegation Form - <http://www.in.gov/sboa/files/DelegationForm.pdf>
- If a **OneDrive or Teams** folder is easier, we can set that up.

## Benefits



- Improvements to virtual audits.
  - Allows auditors to verify populations and work more efficiently.
    - We have specific employees that work with the data and then provide to auditors.
- Provides a platform to implement new technologies.

## Reports Requested



- **Not Duplicate Reporting!**

- We use the Gateway monthly/annual uploads – but we are trying to move toward continual access to 'Real Time' data.
- **If what is uploaded in Gateway is usable, we will use that and not request a duplicate report.**

1. Fiscal-Year Fund report (Active and inactive funds).
2. Receipt data abstract
3. Disbursement data abstract

- **Other optional files that would assist us in the audit process (unless already on gateway) are:**

- Payroll distributions reports
- Detailed vendor history reports



# Data Fields Requested



## 1. Funds Report (PDF)

- Fund Number
- Fund Name
- Beginning Balance
- Annual Total Receipts for the Fund
- Annual Total Disbursements for the Fund
- Ending Balance
- Totals for all funds for beginning balance, receipts, disbursements, and ending balance

## 2. Receipts (Excel)

- Bank Identification
- Date
- Amount
- Fund Number
- Fund Name
- Issued To
- For – Description - Comment
- Receipt #
- User ID
- Account number
- Deposit Date
- Transaction Status (Posted, Deleted, Void)
- Journal Module ID
- SBOA/DLGF Fund/Acct Number crosswalk

# Data Fields Requested



## 3. Disbursements (Excel)

- Date
- Amount
- Fund Number
- Vendor Number
- Vendor Name – Payee Name
- User ID for transaction posting
- User ID for transaction approval
- Account Code
- Object Code
- Location Code
- Check #
- Fund Name
- For – Description – Comment
- Purchase Order Number
- AP voucher Number
- Bank Account Number
- Journal Module ID
- Check Cleared Date

# Data Fields Requested



## Optional - Payroll (Excel)

- Time cards (electronic or other)
- Employee/Payee Name
- Job Title
- Employee Number
- Gross Pay
- Net Pay
- Payroll Check Number/Direct Deposit Number
- Fund Number
- Account Number
- Object Number
- Pay Date
- Withholdings and Benefits Payments tied to employees and pay periods withheld

## Before Submission



- **Verify:**

1. Reports include all funds and all types of additions and reductions of the fund balance.
2. The **totals of the receipts** data capture file **equals the additions to fund balance** on the fund fiscal report.
3. The **totals of the disbursements** data capture file **equals the reductions to fund balance** on the fund fiscal report.
4. The beginning and ending balances are correct and match the Year-End bank reconciliation.
5. The excel data is all in separate columns (does not all “live” in column A).
  - Ideally no headers other than one at the very top, and no subtotals.
6. Both data capture files include transaction-level (individual check or receipt level) data, not summary-level data.

## Beyond 2021



- Eventually capture all data for use with computer assisted auditing.
  - Identify trends
  - Single out anomalies
  - Evaluate Internal Controls
- Enable auditors to collect more evidence, form better opinions, and focus on critical areas.



# Hot Topics

# Scholarships



- **Scholarships should be included in the School Corporation's financial records.**
  - More closely associated with an educational expense (not an extracurricular expense).
  - IC 20-40-14 specifically allows School Corporations to account for gifts and endowments.
  - Scholarships are to be accounted for specifically in Funds 2700-2799.
- If an ECA club or class fund provides a scholarship, then the disbursement is to be approved by a majority of its members and transferred to the corporation level.
  - The school corporation would receipt the money from the ECA into a scholarship fund and then pay it directly to the college/university on behalf of the student that receives the scholarship. **Checks should not be written to an individual.**
- We have noticed some ECAs account for donated funds and have 'scholarship' in the fund name. In an audit we should be assessing what the proceeds of the donated funds are to be used for. If these funds are not a traditional scholarship, which are normally provided to a university and instead will used for an extracurricular purpose, we should not take exception.

## Advance payments



- *Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public Schools, Chapter 1)*
- Cannot pay for goods/services in advance!
- Exception if **normal industry practice /w controls implemented.**



## SBOA “Contracting-Out” Audits



- Due to the massive amount of federal funds distributed due to the CARES Act and ARP, we expect most units will have a federal audit requirement in 2020.
- State Examiner has authority to contract with CPA firms to perform audits in lieu of SBOA staff.
- The audit fees paid by schools will not increase as a result.

## SBOA Contracted Audits – What to Expect



- Email from **SBOA Director of Procured Audits - Jennifer Marshall**
- Communication with the audit firm
  - Engagement Letter
  - The audit firm will send this to you - please sign and return as requested.
- List of items needed
- The audit firm will have access to information you entered in Gateway.
- Link to firm's upload portal

## SBOA Contracted Audits – What to Expect



- Please be responsive to audit requests.
- If you will not be able to electronically provide requested documents, please contact [procuredaudits@sboa.in.gov](mailto:procuredaudits@sboa.in.gov)
- Upon completion of the audit the firm will schedule an exit conference. The report will be reviewed and approved by SBOA prior to being finalized and posted on our website as a public report.
- State Examiner Joyce requests your full cooperation with representatives of the contracted audit firm just as you have always given our field examiners.
- Please feel free to contact Jennifer Marshall or a member of the procured audits team at [procuredaudits@sboa.in.gov](mailto:procuredaudits@sboa.in.gov) or [schools.townships@sboa.in.gov](mailto:schools.townships@sboa.in.gov) with any questions you may have at any time.

## SBOA Fees – IC 5-11-4-3



- Taxing Unit Rate: \$175/day (\$23.33/hour)
- Full Cost Rate\*: \$712.50/day (\$95/hour)
  - \*The full cost rate is the amount we would need to bill to each unit of government to be fully funded
- Processing Fee: \$95 to \$2,990 depending upon unit/engagement
- CPA firm rates are higher than our full-cost.
- **We are subsidizing these audits.**
  - Amount SBOA pays to CPA firm:
    - (CPA firm rate - SBOA Full Cost) = SBOA cost.

## ADM Testing



Crowe is asking for:

1. Enrollment documentation
2. Birth certificates for kindergarten
3. Attendance sheets for day of ADM count
4. Proof of residency
5. Any other relevant files to support the student selected for each ADM count

## Average Daily Membership – Compliance Requirement



- 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.

## Residency Verifications (ADM)



- IDOE modified position: **Highly Recommended.**
- We will audit to what the school's local policy says.
- Necessary to consider the effect the policies have on the schools' system of internal controls.

## Student Engagement Policy



- Charter Schools must have an engagement policy per IC 20-24-7-13
- Due to increased virtual instruction – Public Schools must have a policy on how they are determining a student is:
  1. Attending
  2. Engaged
- Bulletin Article page 4 - <https://www.in.gov/sboa/files/2019-December-School-Bulletin.pdf>





# End of Calendar Year Considerations

## Transfers of Appropriations Within a Fund



- *If the proper legal officers of any school determine that it is necessary to transfer an appropriation from one major budget classification to another, the transfer of appropriation is made by **resolution of the school board at a regular public meeting**. We are not aware of a statutory requirement to publish notice of transfer. Approval by the Department of Local Government Finance is not necessary (School Manual – Chapter 9).*

## Appropriation Encumbrances



- May carry forward appropriations to the next year **IF outstanding purchase order or contract** at YE.
- Bulletin article page 5 - [https://www.in.gov/sboa/files/scb2013\\_204.pdf](https://www.in.gov/sboa/files/scb2013_204.pdf)

## Cancellations of Warrants



- IC 5-11-10.5-2 provides that all warrants or checks, outstanding and unpaid for a period of two or more years as of **December 31** of each year, shall be declared void.
- IC 5-11-10.5-3, IC 5-11-10.5-4, and IC 5-11-10.5-5 provide the detailed steps to receipt the voided checks back into the school corporation funds.
- Example – On December 31, 2021;
  - Check #1234 was written on **February 27, 2019** and has not cleared the bank and is on the outstanding check list. At **12/31/21**, it would be considered “void”.
  - Check #9876 was written on **November 2, 2020** and has not cleared the bank and is on the outstanding check list. At **12/31/21**, this check would **not be considered “cancelled”** and should remain on the outstanding check list.

## Annual School Board of Finance Meeting



- Prepare the following reports for the annual meeting of the school board of finance.
  - Investment report IC 5-13-7-7
  - Financial Condition report IC 5-13-7-8
- To meet annually after 1<sup>st</sup> Monday and on or before the last day in January IC 5-13-7-6.

Certified Report of Names, Addresses,  
Duties and Compensation of Public  
Employees (Form 100R)



**Per IC 5-11-13**

- Must be filed with the State Examiner.
- **DLGF may not approve the budget** of a unit until it is filed.
- Must be filed electronically via the State Gateway.
- Due January 31 each year.
- Must indicate whether the unit offers a health plan, a pension, and other benefits to full-time and part-time employees.

## GAAP Statements



- Due in Gateway by November 30<sup>th</sup>
- 2016-1 State Examiner Directive (Amended) - [https://www.in.gov/sboa/files/Directive-2016-1-Amended-8\\_25\\_20.pdf](https://www.in.gov/sboa/files/Directive-2016-1-Amended-8_25_20.pdf)
- Annual Uploads – “Required GAAP Documents”



Questions?