Financial Management and Accountability
FAQs

The following information serves as a guide to provide clarity on the School Corporation's finances and business practices, and to address frequently asked questions.

In an effort to gain public input on the referendum, the board strategic plan, the efficiency study, the Master Facilities Plan, and all required budgetary meetings, the South Bend Community School Corporation has held approximately 125 public meetings and conducted 17 surveys over the past four years. Survey results can be found on the SBCSC website (https://sb.school) and in various public media outlets, including the South Bend Tribune.

An Important Note About District Finances

Many of the district's funds are reimbursable accounts outside of the General Funds, meaning that money is spent out of our General Fund and is reimbursed after the fact. Until the funds are reimbursed, these accounts may appear to be in the negative when, in fact, the reimbursement is accounted for prior to any expense. This means that if you see an account in the negative, that does not necessarily mean that money has been overspent. The district financial operations require us to work in multiple years simultaneously. Parts of our funding is based on the calendar year and other revenues are calculated based on the fiscal year.

Financial Planning and Debt Management

- **What is the significance of the 8-year financial plan?** This plan outlines our long-term borrowing strategy, including general obligation bonds of approximately $5 million annually to fund deferred maintenance projects like new roofs for school buildings, new heating and cooling systems for buildings, and new paving for parking lots, among other projects.
- **How does the district manage its debt (borrowing) to ensure a stable rate for taxpayers?** We work with financial experts like Baker Tilly and Barnes & Thornburg as bond counselors to monitor and manage our debt. This involves strategies like rolling general obligation bonds (lower interest bonds for projects that don't generate revenue), maintaining a steady debt service rate (financial metric that measures the ability to pay current debt obligations using its cash flow), and staying within spending limits.
- **How does the district balance the use of debt (borrowing) with other funding sources?** We do this in several ways:
    - We leverage our municipal status (as a government entity) to obtain lower interest rates, allowing us to invest in district projects (see above for examples).

- We prioritize reducing our reliance on borrowing, which is approved in advance by the state and the school board.
- There are specific checks and balances in place that prevent excessive borrowing, like the allowable debt levy – meaning that the state will only approve what's available and only amounts that can be paid back.

Financial Transparency, Accountability and Audits

- **How can I access information on the SBCSC's financial performance?**
  - Annual financial reports, public and board presentations, and the required Fiscal Indicators report are available on the SBCSC website (https://sb.school), Gateway (https://www.in.gov/dlgf/gateway/), and the Indiana Department of Education website (https://www.in.gov/doe/).
  - Additionally, minutes, videos and financials of every board meeting are presented and approved by the school board at the beginning of each meeting. These minutes can be accessed on the SBCSC BoardDocs website by searching for a specific meeting, and looking for "minutes" under the agenda.

  What measures are in place to ensure financial accountability? We have implemented several internal controls and follow best business practices to maintain financial integrity. These include regular reviews, corrective action plans, and adherence to GAAP accounting principles–which, after a labored conversion, replaced the cash basis of accounting in 2021 that had been in use. The conversion to GAAP accounting principles resolved several financial deficiencies that predated the current administration.

- In addition to the various controls and audits, there are several financial presentations the district is required by the state to present to the board throughout the year. This includes the Annual Financial Report, as well as the Fiscal Indicators report, which are presented at the beginning of every new year.

  Where can I find the dates for public hearings and adoption? You may find the dates for public hearings and budget adoption in that year's budget presentation, available on BoardDocs via the SBCSC website (https://go.boarddocs.com/in/sbcsc/Board.nsf/vpublic?open).

  What factors can impact the district's financial position?
  - Changes in assessed property values, economic conditions, and other factors can influence the district's financial health. For example, in 2023, assessed values in the state of Indiana declined, so careful debt management and aligning spending with revenue sources is critical, as is increasing efficiencies districtwide.

- Additionally, legislative shifts frequently impact the district's finances. Below are the various legislative changes that impacted our finances between 2020-24:
  - **Dollar Law** and building utilization changes (Law mandates that if Corporation closes a school building and a Charter School operator wishes to buy it, we must sell the property to them for $1. If no Charter School operator expresses interest in buying the building, the Corporation can then sell or lease the building.)
  - The **expansion of the voucher program**, which takes money away from public schools
  - Mandatory operational funds **cost-sharing with charter schools**, effective 2023-24
  - The **annexation of Greene Township**

Accountability

External Audits, Reporting, and Systems

Completed State Board of Account External Audit Reports:

- Financial Audits: 2 - FY 2017/2018 and 2018/2019 (Cash Basis)
- Financial Audits: 2 - FY 2019/2020, 2021/2022 GAAP Basis
- Federal Audits: 4 - FY 2017/2018 - FY 2021/2022 (Cash Basis)
- ADM Virtual Audits: 1
- Ongoing Audits:
  - Financial Audits: 1 - FY 2021/2022 (GAAP Basis)
  - Federal Audits: 1 - FY 2021/2022
  - Extra-curricular Audits 5

Department of Education External Audits:

- 1 indirect cost allocation plan for school allocation plan

Other External Audits:

- Bank Reconciliation 3 years
- Transformation Zone 3
- Workman's Comp Audits 4
- Insurance Renewal Audits 4
- Shared Services Costs 3

33 external audit touch points in the last 36 months including:
- desktop monitoring
- GAAP conversion

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Audits, Internal Controls, Compliance, Checks and Balances

***Note:** Taxes, audits, and financial data for the School Corporation are conducted in arrears or the following year. For instance, financial information for fiscal year 2023 is currently under review, and results will be available sometime in calendar year 2024. Therefore, the last completed full-year audit was for fiscal year 2022, conducted in 2023. Similarly, the Corporation's financial statements for 2023 were posted in June 2024 and submitted to the Indiana Department of Education and the Indiana State Board of Accounts in March 2024.*

- **How does the district ensure compliance with regulations?**
    - School corporations are some of the most heavily regulated entities and are subject to strict regulations at the local, state, and federal levels. We follow mandatory guidelines and submit required reports to maintain compliance. By state law, most of our funding is very restricted. For example, administrative costs cannot be paid for using money from the Education Fund.
    - The Corporation undergoes annual audits by an outside firm, the State Board of Accounts (https://www.in.gov/sboa/). These audits maintain our financial integrity and improve the credibility of our financial statements.
    - We submit an annual finance report to the IDOE, which is currently up to date. In the past, SBOA partnered with an independent financial firm to complete our audits (in our case, Forvis). A detailed account of the audit and its findings were given to the South Bend School board by Forvis at a public board meeting on **July 31, 2023.**

Budget and Financial Reporting

- **How can I access SBCSC's financial reports?** Annual financial reports, public and board presentations, and the required Fiscal Indicators report are available on the SBCSC website (https://sb.school), Gateway (https://www.in.gov/dlgf/gateway/), and the Indiana Department of Education website (https://www.in.gov/doe/).
- **What is the process for budget approval?** Before a budget can be approved, every step outlined by the local government and the Indiana Department of Education (IDOE) must be followed. These steps include:
    - Budget kickoff/District interdepartmental meetings
    - Permission to advertise that year's budget/Gateway submission
    - Board Meeting and Presentation (ideally, on the same day as the Public Hearing)
    - Public hearing for that year's budget
    - Adopt that year's budget via board vote
    - Budget submitted to Department of Local Government and Finance
    - Statutory Deadline for the Indiana Department of Local Government Finance to approve 1782 notices (budgets)

- **How are employee positions classified and managed, and what is the oversight?** The IDOE establishes employee positions as full-time equivalents (1.0 FTE). For example, in SBCSC, there are Assistant Superintendents, with assigned duties and responsibilities overseeing different departments, holding positions such as: Assistant Superintendent/Chief of Accountability, Assistant Superintendent of Operations/COO, and Assistant Superintendent of Business and Finance/CFO, each designated as 1.0 FTE (one full-time position only).

Financial Sources

State Board of Accounts (https://www.in.gov/sboa/): Created by the legislature in 1909, the SBOA is dedicated to providing the citizens of the State of Indiana with confidence in the integrity and financial accountability of state and local government.

IDOE (https://www.in.gov/doe/): The Indiana Department of Education sees as its guiding principles a student-centered, inclusive and collaborative approach, the championing of educators, data- and results-driven policymaking, transparency and trustworthiness, as well as an eye toward the future.

Baker Tilly (https://www.bakertilly.com/): Formed in 1931 in Waterloo, Wisconsin, Baker Tilly is a top ten advisory, tax and assurance firm dedicated to enhancing and protecting their clients' value with a growth-oriented focus on their clients' specific needs, delivering transformation-enabling services, support, and advice to help each client thrive.

Forvis (https://www.forvismazars.us/): Created by the merger of equals between BKD and DHG accounting and advisory firms, Forvis is a top ten professional services firm of 5,500 members providing assurance, tax, and advisory services.

Crowe LLP (https://www.crowe.com/): A public accounting, consulting and technology firm that uses its deep industry expertise to provide audit services to public and private entities. The firm and its subsidiaries also help clients make smart decisions that lead to lasting value with its tax, advisory and consulting services.

Kruggel Lawton (https://klcpas.com/): CPA firm founded in 1956, with office locations in South Bend, Elkhart and Goshen, Indiana; St. Joseph, Michigan; and Knoxville, Tennessee. With a team of more than 100 members, they provide four primary financial services: tax, assurance, business accounting, and advisory services.

SBCSC Financial Timeline (2020-24)

Budget		
Date	**Type**	**Description**
October 5, 2020	Action Item	Authorize Permission to Advertise the 2021 Budget, 2021-2023 Capital Projects Plan and the Five-Year School Bus Replacement Plan
October 19, 2020	Academic Focus	2020-2021 Budget Update
October 19, 2020	Action Item	Approve & Conduct Public Hearing - 2021
November 2, 2020	Action Item	Approval to Adopt the 2021 Budget
March 29, 2021	Action Item	Approval of Budget Transfer Resolution
September 20, 2021	Action Item	Authorize Permission to Advertise the 2022 Budget
October 4, 2021	Academic Focus	Recommended School Budget
October 4, 2021	Action Item	Approve & Conduct Public Hearing - 2022 Budget
October 18, 2021	Academic Focus	Recommended School Budget
October 18, 2021	Action Item	Approval to Adopt the 2022 Budget
October 5, 2022	Academic Focus	Recommended School Budget
October 5, 2022	Action Item	Approve & Conduct Public Hearing - 2023 Budget
October 2, 2023	Academic Focus	Recommended School Budget
October 2, 2023	Action Item	Approve & Conduct Public Hearing - 2024 Budget
October 16, 2023	Action Item	Approval to Adopt the 2024 Budget
January 8, 2024	Action Item	Property Tax Rate Correction/Adjustment for Adoption of the 2024 Operations Fund Budget
March 8, 2024	Action Item	Approval of Budget Transfer Resolution

Fiscal Indicators		
Date	**Type**	**Description**
January 24, 2022	Action Item	Fiscal Indicators Annual Update
January 23, 2023	Academic Focus	Fiscal Indicators Update
January 22, 2024	Academic Focus	Fiscal Indicators Update for 2022-23 FY (Presented with Baker Tilly)

Annual Finance Report		
Date	**Type**	**Description**
August 3, 2020	Action Item	Annual Finance Report

August 2, 2021	Action Item	Annual Finance Report
August 1, 2022	Action Item	Approval of 2022 Annual Finance Report
January 23, 2023	Action Item	Approval of the Annual Finance Report
July 31, 2023	Action Item	Approval of 2023 Annual Finance Report/Audit Update (with Forvis)
January 22, 2024	Action Item	Approval of the Annual Finance Report
Bonds		
Date	**Type**	**Description**
June 1, 2020	Action Item	Adopt Resolution Allowing Participation in the Indiana Bond Bank 2020 Mid-Year Funding Program
September 9, 2020	Action Item	2020 General Obligation Bond Project Approval
September 21, 2020	Action Item	2020 General Obligation Bonds
October 19, 2020	Action Item	Adoption of preliminary resolution authorizing issuance of bonds, public hearings regarding project financings and permitting reimbursement of preliminary expenses
November 2, 2020	Action Item	Approval to Adopt the Bond Resolution and the Appropriation Resolution
July 12, 2021	Action Item	2021 General Obligation Bond
July 12, 2021	Action Item	Approval of General Obligation Bonds Series 2021B to fund portion of costs of 2020 SBCSC School Building & Safety Project
July 26, 2021	Action Item	Approval of bond resolution and appropriation resolution for the proposed 2021 A Bonds
September 7, 2022	Action Item	Approval of 2022 the GO Bonds
September 19, 2022	Action Item	Approval of the Final Adoption and Appropriation of the 2022A Bond, 2022A Appropriation, 2022B Bond & 2022B Appropriation Resolutions
May 15, 2023	Action Item	Approval of Preliminary GO Bond Resolution and Preliminary Bond Lease Resolution
June 21, 2023	Action Item	Approval of the GO Bond Resolution (2nd Reading)
July 22, 2024	Action Item	Approval of Preliminary GO Bond Resolution
August 19, 2024	Action Item	Approval of the Final Adoption of the 2024 General Obligation Bond Resolution and 2024 General Obligation Bond Appropriation Resolution