

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

KNOX COMMUNITY SCHOOL CORPORATION  
STARKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
07/12/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Sue Fort	07-01-14 to 06-30-17
Superintendent of Schools	A.J. Gappa (Vacant) Jim Dermody (interim)	07-01-14 to 04-20-17 04-21-17 to 04-25-17 04-26-17 to 06-30-17
President of the School Board	William K. Bennet Gary Dulin	01-01-14 to 12-31-16 01-01-17 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE KNOX COMMUNITY SCHOOL  
CORPORATION, STARKE COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Knox Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2017, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

May 10, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE KNOX COMMUNITY SCHOOL  
CORPORATION, STARKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Knox Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 10, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

May 10, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

KNOX COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,449,183	\$ 12,109,849	\$ 12,862,055	\$ 20,998	\$ 717,975	\$ 12,662,370	\$ 12,429,945	\$ 42,453	\$ 992,853
Debt Service	1,578,164	2,886,163	2,596,163	-	1,868,164	3,050,708	2,924,912	(51,530)	1,942,430
Retirement/Severance Bond Debt Service	177,178	347,660	326,484	-	198,354	302,688	305,814	-	195,228
Capital Projects	292,321	1,142,136	1,148,403	-	286,054	987,486	653,094	-	620,446
School Transportation	226,444	999,367	931,201	-	294,610	960,192	879,677	357	375,482
School Bus Replacement	321,691	312,265	173,292	-	460,664	297,391	198,288	(105,000)	454,767
Rainy Day	1,648,228	-	-	-	1,648,228	52,565	306,550	105,000	1,499,243
Retirement/Severance Bond	319,294	-	332	-	318,962	-	5,839	-	313,123
Construction	2,300	-	-	500	2,800	-	2,500	-	300
School Lunch	433,033	1,013,746	1,124,156	-	322,623	1,183,636	1,299,676	-	206,583
Textbook Rental	356,000	147,409	135,218	-	368,191	173,514	136,155	34,094	439,644
Levy Excess	-	357	-	-	357	-	-	(357)	-
Educational License Plates	5,194	188	-	-	5,382	150	-	-	5,532
Alternative Education	-	-	-	-	-	6,112	-	(6,112)	-
Early Intervention Grant 14-15	-	10,000	10,000	-	-	-	-	-	-
Early Intervention Grant 13-14	(10,000)	10,000	-	-	-	-	-	-	-
Early Intervention Grant 15-16	-	-	-	-	-	16,229	2,750	-	13,479
Dr Browne Instructional	9,601	2,823	-	-	12,424	2,905	-	-	15,329
Janet Miller Memorial	1	-	-	-	1	-	-	-	1
Gurrado Scholarship	12	-	-	-	12	-	-	-	12
Instructional Support	1,495	-	-	-	1,495	-	-	-	1,495
Myers Memorial	1,907	-	-	-	1,907	-	-	-	1,907
Miscellaneous Donation	564	-	-	-	564	-	-	-	564
Summer Kindergarden Roundup 13-14	3,100	983	4,082	-	1	-	-	-	1
Summer Kindergarden Roundup 14-15	-	5,000	-	-	5,000	1,081	6,080	-	1
Summer Kindergarden Roundup 15-16	-	-	-	-	-	6,213	1,029	-	5,184
Formative Assessment	-	-	-	-	-	16,770	-	-	16,770
Instruction Support	11,733	-	11,733	-	-	-	-	-	-
Gifted Talented 10-11	-	33,184	31,815	-	1,369	-	1,369	-	-
Gifted Talented 12-13	-	-	-	-	-	33,599	33,270	-	329
Medicaid Reimbursement	223	23,796	-	(19,761)	4,258	20,607	-	(18,905)	5,960
Secured Schools Safety Grant	(27,496)	27,496	-	-	-	-	-	-	-
Project Lead The Way 13-14	18,011	-	17,876	-	135	-	-	(135)	-
Project Lead The Way 14-15	-	10,000	1,250	-	8,750	-	7,697	135	1,188
Project Lead The Way 15-16	-	-	-	-	-	5,000	-	-	5,000
Non-English Speaking Programs	-	2,458	2,458	-	-	-	-	-	-
Non-English 12-13	-	-	-	-	-	4,397	3,951	-	446
Non-English 13-14	135	-	136	-	(1)	-	-	-	(1)
School Technology 14-15	10,478	3,669	-	-	14,147	4,404	-	-	18,551
School Technology 15-16	16,085	19,054	-	-	35,139	19,038	31,017	-	23,160

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

KNOX COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016  
(Continued)

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
Performance Based Awards 14-15	-	29,916	28,888	-	1,028	-	1,029	-	(1)
Performance Based Awards 15-16	-	-	-	-	-	16,793	16,793	-	-
Miscellaneous Programs	768	-	-	-	768	-	-	-	768
Wellness Program	9,786	5,850	2,539	-	13,097	-	-	-	13,097
Miscellaneous Tech	876	-	-	-	876	-	-	-	876
Starke United	487	-	259	-	228	-	32	-	196
Vocational Trades 12-13	-	-	-	-	-	288,900	288,900	-	-
Vocational Trades 14-15	-	237,969	228,519	-	9,450	1,250	10,700	-	-
Vocational Trades 15-16	-	-	-	-	-	212,389	229,777	-	(17,388)
Special Ed Joint Services 13-14	(299,125)	330,195	31,072	-	(2)	-	-	-	(2)
Special Ed Joint Services	-	176,990	286,130	-	(109,140)	131,725	22,584	-	1
Save Program	(2,319)	8,144	5,827	-	(2)	-	875	-	(877)
Title I 13-14	(57,803)	123,260	65,457	-	-	-	-	-	-
Title I 11-12	-	-	-	-	-	388,897	431,834	-	(42,937)
Title I-14-15	-	363,642	415,461	-	(51,819)	106,695	54,877	-	(1)
IDEA	-	95	95	-	-	-	-	-	-
Special Ed 13-14	(37,545)	102,234	64,684	-	5	-	-	-	5
Special Ed 14-15	-	353,091	391,566	-	(38,475)	89,189	50,716	-	(2)
Special Ed 15-16	-	-	-	-	-	327,552	362,295	-	(34,743)
Preschool 14-15	-	15,483	15,484	-	(1)	-	-	-	(1)
Preschool 15-16	-	-	-	-	-	13,157	14,031	-	(874)
Career Incentive 14-15	-	-	-	-	-	-	31	-	(31)
Career Incentive 15-16	-	-	-	-	-	7,714	7,714	-	-
Career Awareness 14-15	(1,384)	7,714	6,330	-	-	-	-	-	-
Technology Related Assistance for Individuals With Disabilities	-	1,369	2,162	-	(793)	969	176	-	-
Medicaid Reimbursement - Federal 14-15	5,866	43,294	5,849	-	43,311	37,449	10,629	-	70,131
Medicaid Reimbursement - Federal 15-16	-	-	-	-	-	29,670	74	-	29,596
Improving Teacher Quality, No Child Left, Title II, Part A	-	-	-	-	-	-	-	-	-
Title II 14-15	-	-	5,194	-	(5,194)	37,520	87,994	-	(55,668)
Title II 12-13	(5,574)	5,575	-	-	1	-	-	-	1
Title II 15-16	-	44,814	104,114	-	(59,300)	62,927	3,628	-	(1)
Rural Schools and Low Income Program - Pass Through State	-	4,190	5,990	-	(1,800)	26,850	25,855	-	(805)
Title VI Rural & Low-Income 12-13	-	6,985	6,985	-	-	-	-	-	-
Title VI Rural & Low-Income	-	38,337	37,100	(1,237)	-	-	-	-	-
Payroll Clearing	50,215	2,839,192	2,837,126	-	52,281	2,763,950	2,757,757	-	58,474
Prepaid Meals	4,544	259,800	260,694	-	3,650	263,216	264,631	-	2,235
Food Service Payroll Clearing	848	75,540	75,652	-	736	79,623	79,157	-	1,202
<b>Totals</b>	<b>\$ 6,514,519</b>	<b>\$ 24,181,282</b>	<b>\$ 24,259,831</b>	<b>\$ 500</b>	<b>\$ 6,436,470</b>	<b>\$ 24,693,490</b>	<b>\$ 23,951,702</b>	<b>\$ -</b>	<b>\$ 7,178,258</b>

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

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt services.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

**F. Other Financing Sources and Uses**

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of reimbursements for expenditures which were not received as of June 30, 2015 or 2016.

**Note 8. Holding Corporation**

The School Corporation entered into capital leases with the Knox Middle School Building Corporation. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$2,855,000 and \$2,987,000, respectively.

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## OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,449,183	\$ 1,578,164	\$ 177,178	\$ 292,321	\$ 226,444	\$ 321,691	\$ 1,648,228	\$ 319,294
Receipts:								
Local sources	80,351	2,886,163	347,660	1,131,390	999,367	312,265	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	12,029,498	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	10,746	-	-	-	-
Total receipts	<u>12,109,849</u>	<u>2,886,163</u>	<u>347,660</u>	<u>1,142,136</u>	<u>999,367</u>	<u>312,265</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	8,627,130	-	-	-	-	-	-	332
Support services	3,975,223	-	-	1,024,096	931,201	173,292	-	-
Noninstructional services	259,702	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	124,307	-	-	-	-
Debt services	-	2,596,163	326,484	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>12,862,055</u>	<u>2,596,163</u>	<u>326,484</u>	<u>1,148,403</u>	<u>931,201</u>	<u>173,292</u>	<u>-</u>	<u>332</u>
Excess (deficiency) of receipts over disbursements	<u>(752,206)</u>	<u>290,000</u>	<u>21,176</u>	<u>(6,267)</u>	<u>68,166</u>	<u>138,973</u>	<u>-</u>	<u>(332)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	20,998	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>20,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(731,208)</u>	<u>290,000</u>	<u>21,176</u>	<u>(6,267)</u>	<u>68,166</u>	<u>138,973</u>	<u>-</u>	<u>(332)</u>
Cash and investments - ending	<u>\$ 717,975</u>	<u>\$ 1,868,164</u>	<u>\$ 198,354</u>	<u>\$ 286,054</u>	<u>\$ 294,610</u>	<u>\$ 460,664</u>	<u>\$ 1,648,228</u>	<u>\$ 318,962</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant 14-15	Early Intervention Grant 13-14
Cash and investments - beginning	\$ 2,300	\$ 433,033	\$ 356,000	\$ -	\$ 5,194	\$ -	\$ -	\$ (10,000)
Receipts:								
Local sources	-	307,561	62,506	357	-	-	-	-
Intermediate sources	-	-	-	-	188	-	-	-
State sources	-	6,838	84,903	-	-	-	10,000	10,000
Federal sources	-	699,150	-	-	-	-	-	-
Other receipts	-	197	-	-	-	-	-	-
Total receipts	-	1,013,746	147,409	357	188	-	10,000	10,000
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	3,310	135,218	-	-	-	10,000	-
Noninstructional services	-	1,110,057	-	-	-	-	-	-
Facilities acquisition and construction	-	10,789	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	1,124,156	135,218	-	-	-	10,000	-
Excess (deficiency) of receipts over disbursements	-	(110,410)	12,191	357	188	-	-	10,000
Other financing sources (uses):								
Sale of capital assets	500	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	500	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500	(110,410)	12,191	357	188	-	-	10,000
Cash and investments - ending	\$ 2,800	\$ 322,623	\$ 368,191	\$ 357	\$ 5,382	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Early Intervention Grant 15-16	Dr Browne Instructional	Janet Miller Memorial	Gurrado Scholarship	Instructional Support	Myers Memorial	Miscellaneous Donation	Summer Kindergarden Roundup 13-14
Cash and investments - beginning	\$ -	\$ 9,601	\$ 1	\$ 12	\$ 1,495	\$ 1,907	\$ 564	\$ 3,100
Receipts:								
Local sources	-	2,823	-	-	-	-	-	983
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	2,823	-	-	-	-	-	983
Disbursements:								
Instruction	-	-	-	-	-	-	-	3,039
Support services	-	-	-	-	-	-	-	1,043
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	4,082
Excess (deficiency) of receipts over disbursements	-	2,823	-	-	-	-	-	(3,099)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,823	-	-	-	-	-	(3,099)
Cash and investments - ending	\$ -	\$ 12,424	\$ 1	\$ 12	\$ 1,495	\$ 1,907	\$ 564	\$ 1

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Summer Kindergarden Roundup 14-15	Summer Kindergarden Roundup 15-16	Formative Assessment	Instruction Support	Gifted Talented 10-11	Gifted Talented 12-13	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 11,733	\$ -	\$ -	\$ 223	\$ (27,496)
Receipts:								
Local sources	5,000	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	33,184	-	23,796	27,496
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,184</u>	<u>-</u>	<u>23,796</u>	<u>27,496</u>
Disbursements:								
Instruction	-	-	-	11,733	31,815	-	-	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,733</u>	<u>31,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(11,733)</u>	<u>1,369</u>	<u>-</u>	<u>23,796</u>	<u>27,496</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(19,761)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,761)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(11,733)</u>	<u>1,369</u>	<u>-</u>	<u>4,035</u>	<u>27,496</u>
Cash and investments - ending	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,369</u>	<u>\$ -</u>	<u>\$ 4,258</u>	<u>\$ -</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Project Lead The Way 13-14	Project Lead The Way 14-15	Project Lead The Way 15-16	Non-English Speaking Programs	Non-English 12-13	Non-English 13-14	School Technology 14-15	School Technology 15-16
Cash and investments - beginning	\$ 18,011	\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 10,478	\$ 16,085
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	10,000	-	2,458	-	-	3,669	19,054
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	10,000	-	2,458	-	-	3,669	19,054
Disbursements:								
Instruction	17,876	1,250	-	-	-	-	-	-
Support services	-	-	-	2,458	-	136	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,876	1,250	-	2,458	-	136	-	-
Excess (deficiency) of receipts over disbursements	(17,876)	8,750	-	-	-	(136)	3,669	19,054
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,876)	8,750	-	-	-	(136)	3,669	19,054
Cash and investments - ending	\$ 135	\$ 8,750	\$ -	\$ -	\$ -	\$ (1)	\$ 14,147	\$ 35,139

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Performance Based Awards 14-15	Performance Based Awards 15-16	Miscellaneous Programs	Wellness Program	Miscellaneous Tech	Starke United	Vocational Trades 12-13	Vocational Trades 14-15
Cash and investments - beginning	\$ -	\$ -	\$ 768	\$ 9,786	\$ 876	\$ 487	\$ -	\$ -
Receipts:								
Local sources	-	-	-	5,850	-	-	-	237,969
Intermediate sources	-	-	-	-	-	-	-	-
State sources	29,916	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>29,916</u>	<u>-</u>	<u>-</u>	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,969</u>
Disbursements:								
Instruction	-	-	-	-	-	-	-	228,519
Support services	28,888	-	-	2,539	-	-	-	-
Noninstructional services	-	-	-	-	-	259	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>28,888</u>	<u>-</u>	<u>-</u>	<u>2,539</u>	<u>-</u>	<u>259</u>	<u>-</u>	<u>228,519</u>
Excess (deficiency) of receipts over disbursements	<u>1,028</u>	<u>-</u>	<u>-</u>	<u>3,311</u>	<u>-</u>	<u>(259)</u>	<u>-</u>	<u>9,450</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,028</u>	<u>-</u>	<u>-</u>	<u>3,311</u>	<u>-</u>	<u>(259)</u>	<u>-</u>	<u>9,450</u>
Cash and investments - ending	<u>\$ 1,028</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 13,097</u>	<u>\$ 876</u>	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 9,450</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Vocational Trades 15-16	Special Ed Joint Services 13-14	Special Ed Joint Services	Save Program	Title 1 13-14	Title I 11-12	Title I 14-15	IDEA
Cash and investments - beginning	\$ -	\$ (299,125)	\$ -	\$ (2,319)	\$ (57,803)	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	330,195	176,990	8,144	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	123,260	-	363,642	95
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	330,195	176,990	8,144	123,260	-	363,642	95
Disbursements:								
Instruction	-	31,072	279,961	5,827	31,560	-	246,039	95
Support services	-	-	6,169	-	32,938	-	151,154	-
Noninstructional services	-	-	-	-	959	-	4,066	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	14,202	-
Total disbursements	-	31,072	286,130	5,827	65,457	-	415,461	95
Excess (deficiency) of receipts over disbursements	-	299,123	(109,140)	2,317	57,803	-	(51,819)	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	299,123	(109,140)	2,317	57,803	-	(51,819)	-
Cash and investments - ending	\$ -	\$ (2)	\$ (109,140)	\$ (2)	\$ -	\$ -	\$ (51,819)	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Special Ed 13-14	Special Ed 14-15	Special Ed 15-16	Preschool 14-15	Preschool 15-16	Career Incentive 14-15	Career Incentive 15-16	Career Awareness 14-15
Cash and investments - beginning	\$ (37,545)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,384)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	102,234	353,091	-	15,483	-	-	-	7,714
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>102,234</u>	<u>353,091</u>	<u>-</u>	<u>15,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,714</u>
Disbursements:								
Instruction	64,684	391,566	-	15,484	-	-	-	6,330
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>64,684</u>	<u>391,566</u>	<u>-</u>	<u>15,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,330</u>
Excess (deficiency) of receipts over disbursements	<u>37,550</u>	<u>(38,475)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>37,550</u>	<u>(38,475)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,384</u>
Cash and investments - ending	<u>\$ 5</u>	<u>\$ (38,475)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Technology Related Assistance for Individuals with Disabilities	Medicaid Reimbursement - Federal 14-15	Medicaid Reimbursement - Federal 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title II 14-15	Title II 12-13	Title II 15-16
Cash and investments - beginning	\$ -	\$ 5,866	\$ -	\$ -	\$ -	\$ (5,574)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	1,369	43,294	-	-	-	5,575	44,814
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>1,369</u>	<u>43,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,575</u>	<u>44,814</u>
Disbursements:							
Instruction	2,162	3,448	-	-	-	-	-
Support services	-	2,401	-	-	194	-	104,114
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	5,000	-	-
Total disbursements	<u>2,162</u>	<u>5,849</u>	<u>-</u>	<u>-</u>	<u>5,194</u>	<u>-</u>	<u>104,114</u>
Excess (deficiency) of receipts over disbursements	<u>(793)</u>	<u>37,445</u>	<u>-</u>	<u>-</u>	<u>(5,194)</u>	<u>5,575</u>	<u>(59,300)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(793)</u>	<u>37,445</u>	<u>-</u>	<u>-</u>	<u>(5,194)</u>	<u>5,575</u>	<u>(59,300)</u>
Cash and investments - ending	<u>\$ (793)</u>	<u>\$ 43,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,194)</u>	<u>\$ 1</u>	<u>\$ (59,300)</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Rural Schools and Low Income Program - Pass Through State	Title VI Rural & Low-Income 12-13	Title VI Rural & Low-Income	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 50,215	\$ 4,544	\$ 848	\$ 6,514,519
Receipts:							
Local sources	-	-	-	-	-	-	6,895,574
Intermediate sources	-	-	-	-	-	-	188
State sources	-	-	-	-	-	-	12,290,812
Federal sources	4,190	6,985	38,337	-	-	-	1,809,233
Other receipts	-	-	-	2,839,192	259,800	75,540	3,185,475
Total receipts	4,190	6,985	38,337	2,839,192	259,800	75,540	24,181,282
Disbursements:							
Instruction	-	-	-	-	-	-	9,999,922
Support services	4,190	6,985	37,100	-	-	-	6,632,649
Noninstructional services	-	-	-	-	-	-	1,375,043
Facilities acquisition and construction	-	-	-	-	-	-	135,096
Debt services	-	-	-	-	-	-	2,922,647
Nonprogrammed charges	1,800	-	-	2,837,126	260,694	75,652	3,194,474
Total disbursements	5,990	6,985	37,100	2,837,126	260,694	75,652	24,259,831
Excess (deficiency) of receipts over disbursements	(1,800)	-	1,237	2,066	(894)	(112)	(78,549)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	500
Transfers in	-	-	-	-	-	-	20,998
Transfers out	-	-	(1,237)	-	-	-	(20,998)
Total other financing sources (uses)	-	-	(1,237)	-	-	-	500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,800)	-	-	2,066	(894)	(112)	(78,049)
Cash and investments - ending	\$ (1,800)	\$ -	\$ -	\$ 52,281	\$ 3,650	\$ 736	\$ 6,436,470

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 717,975	\$ 1,868,164	\$ 198,354	\$ 286,054	\$ 294,610	\$ 460,664	\$ 1,648,228	\$ 318,962
Receipts:								
Local sources	101,601	3,050,708	302,688	961,569	955,055	297,391	52,565	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	12,550,622	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	10,147	-	-	25,917	5,137	-	-	-
Total receipts	<u>12,662,370</u>	<u>3,050,708</u>	<u>302,688</u>	<u>987,486</u>	<u>960,192</u>	<u>297,391</u>	<u>52,565</u>	<u>-</u>
Disbursements:								
Instruction	8,224,400	-	-	-	-	-	154,489	5,839
Support services	3,963,564	-	-	571,872	879,677	198,288	152,061	-
Noninstructional services	241,981	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	81,222	-	-	-	-
Debt services	-	2,924,912	305,814	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>12,429,945</u>	<u>2,924,912</u>	<u>305,814</u>	<u>653,094</u>	<u>879,677</u>	<u>198,288</u>	<u>306,550</u>	<u>5,839</u>
Excess (deficiency) of receipts over disbursements	<u>232,425</u>	<u>125,796</u>	<u>(3,126)</u>	<u>334,392</u>	<u>80,515</u>	<u>99,103</u>	<u>(253,985)</u>	<u>(5,839)</u>
Other financing sources (uses):								
Transfers in	42,453	-	-	-	357	-	105,000	-
Transfers out	-	(51,530)	-	-	-	(105,000)	-	-
Total other financing sources (uses)	<u>42,453</u>	<u>(51,530)</u>	<u>-</u>	<u>-</u>	<u>357</u>	<u>(105,000)</u>	<u>105,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>274,878</u>	<u>74,266</u>	<u>(3,126)</u>	<u>334,392</u>	<u>80,872</u>	<u>(5,897)</u>	<u>(148,985)</u>	<u>(5,839)</u>
Cash and investments - ending	<u>\$ 992,853</u>	<u>\$ 1,942,430</u>	<u>\$ 195,228</u>	<u>\$ 620,446</u>	<u>\$ 375,482</u>	<u>\$ 454,767</u>	<u>\$ 1,499,243</u>	<u>\$ 313,123</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Construction	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant 14-15	Early Intervention Grant 13-14
Cash and investments - beginning	\$ 2,800	\$ 322,623	\$ 368,191	\$ 357	\$ 5,382	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	305,409	80,601	-	-	-	-	-
Intermediate sources	-	-	-	-	150	-	-	-
State sources	-	7,207	86,970	-	-	6,112	-	-
Federal sources	-	871,016	-	-	-	-	-	-
Other receipts	-	4	5,943	-	-	-	-	-
Total receipts	-	1,183,636	173,514	-	150	6,112	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	2,500	3,243	136,155	-	-	-	-	-
Noninstructional services	-	1,169,971	-	-	-	-	-	-
Facilities acquisition and construction	-	126,462	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	2,500	1,299,676	136,155	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(2,500)	(116,040)	37,359	-	150	6,112	-	-
Other financing sources (uses):								
Transfers in	-	-	34,094	-	-	-	-	-
Transfers out	-	-	-	(357)	-	(6,112)	-	-
Total other financing sources (uses)	-	-	34,094	(357)	-	(6,112)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,500)	(116,040)	71,453	(357)	150	-	-	-
Cash and investments - ending	\$ 300	\$ 206,583	\$ 439,644	\$ -	\$ 5,532	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Early Intervention Grant 15-16	Dr Browne Instructional	Janet Miller Memorial	Gurrado Scholarship	Instructional Support	Myers Memorial	Miscellaneous Donation	Summer Kindergarden Roundup 13-14
Cash and investments - beginning	\$ -	\$ 12,424	\$ 1	\$ 12	\$ 1,495	\$ 1,907	\$ 564	\$ 1
Receipts:								
Local sources	-	2,905	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	16,229	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	16,229	2,905	-	-	-	-	-	-
Disbursements:								
Instruction	-	-	-	-	-	-	-	-
Support services	2,750	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	2,750	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	13,479	2,905	-	-	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,479	2,905	-	-	-	-	-	-
Cash and investments - ending	\$ 13,479	\$ 15,329	\$ 1	\$ 12	\$ 1,495	\$ 1,907	\$ 564	\$ 1

KNOX COMMUNITY SCHOOL CORPORATION  
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 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Summer Kindergarden Roundup 14-15	Summer Kindergarden Roundup 15-16	Formative Assessment	Instruction Support	Gifted Talented 10-11	Gifted Talented 12-13	Medicaid Reimbursement	Secured Schools Safety Grant
Cash and investments - beginning	\$ 5,000	\$ -	\$ -	\$ -	\$ 1,369	\$ -	\$ 4,258	\$ -
Receipts:								
Local sources	1,081	6,213	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	16,770	-	-	33,599	20,607	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>1,081</u>	<u>6,213</u>	<u>16,770</u>	<u>-</u>	<u>-</u>	<u>33,599</u>	<u>20,607</u>	<u>-</u>
Disbursements:								
Instruction	3,762	-	-	-	1,369	33,270	-	-
Support services	2,318	1,029	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>6,080</u>	<u>1,029</u>	<u>-</u>	<u>-</u>	<u>1,369</u>	<u>33,270</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,999)</u>	<u>5,184</u>	<u>16,770</u>	<u>-</u>	<u>(1,369)</u>	<u>329</u>	<u>20,607</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(18,905)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,905)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(4,999)</u>	<u>5,184</u>	<u>16,770</u>	<u>-</u>	<u>(1,369)</u>	<u>329</u>	<u>1,702</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 5,184</u>	<u>\$ 16,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 5,960</u>	<u>\$ -</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Project Lead The Way 13-14	Project Lead The Way 14-15	Project Lead The Way 15-16	Non-English Speaking Programs	Non-English 12-13	Non-English 13-14	School Technology 14-15	School Technology 15-16
Cash and investments - beginning	\$ 135	\$ 8,750	\$ -	\$ -	\$ -	\$ (1)	\$ 14,147	\$ 35,139
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	5,000	-	4,397	-	4,404	19,038
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	-	5,000	-	4,397	-	4,404	19,038
Disbursements:								
Instruction	-	7,697	-	-	-	-	-	-
Support services	-	-	-	-	3,951	-	-	31,017
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	7,697	-	-	3,951	-	-	31,017
Excess (deficiency) of receipts over disbursements	-	(7,697)	5,000	-	446	-	4,404	(11,979)
Other financing sources (uses):								
Transfers in	-	135	-	-	-	-	-	-
Transfers out	(135)	-	-	-	-	-	-	-
Total other financing sources (uses)	(135)	135	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(135)	(7,562)	5,000	-	446	-	4,404	(11,979)
Cash and investments - ending	\$ -	\$ 1,188	\$ 5,000	\$ -	\$ 446	\$ (1)	\$ 18,551	\$ 23,160

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Performance Based Awards 14-15	Performance Based Awards 15-16	Miscellaneous Programs	Wellness Program	Miscellaneous Tech	Starke United	Vocational Trades 12-13	Vocational Trades 14-15
Cash and investments - beginning	\$ 1,028	\$ -	\$ 768	\$ 13,097	\$ 876	\$ 228	\$ -	\$ 9,450
Receipts:								
Local sources	-	-	-	-	-	-	288,900	1,250
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	16,793	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	16,793	-	-	-	-	288,900	1,250
Disbursements:								
Instruction	-	-	-	-	-	-	288,900	10,700
Support services	1,029	16,793	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	32	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	1,029	16,793	-	-	-	32	288,900	10,700
Excess (deficiency) of receipts over disbursements	(1,029)	-	-	-	-	(32)	-	(9,450)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,029)	-	-	-	-	(32)	-	(9,450)
Cash and investments - ending	\$ (1)	\$ -	\$ 768	\$ 13,097	\$ 876	\$ 196	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Vocational Trades 15-16	Special Ed Joint Services 13-14	Special Ed Joint Services	Save Program	Title 1 13-14	Title I 11-12	Title I 14-15	IDEA
Cash and investments - beginning	\$ -	\$ (2)	\$ (109,140)	\$ (2)	\$ -	\$ -	\$ (51,819)	\$ -
Receipts:								
Local sources	212,389	-	131,725	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	388,897	106,695	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	212,389	-	131,725	-	-	388,897	106,695	-
Disbursements:								
Instruction	229,491	-	22,584	875	-	261,006	30,589	-
Support services	286	-	-	-	-	162,328	22,778	-
Noninstructional services	-	-	-	-	-	-	1,510	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	8,500	-	-
Total disbursements	229,777	-	22,584	875	-	431,834	54,877	-
Excess (deficiency) of receipts over disbursements	(17,388)	-	109,141	(875)	-	(42,937)	51,818	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,388)	-	109,141	(875)	-	(42,937)	51,818	-
Cash and investments - ending	\$ (17,388)	\$ (2)	\$ 1	\$ (877)	\$ -	\$ (42,937)	\$ (1)	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Special Ed 13-14	Special Ed 14-15	Special Ed 15-16	Preschool 14-15	Preschool 15-16	Career Incentive 14-15	Career Incentive 15-16	Career Awareness 14-15
Cash and investments - beginning	\$ 5	\$ (38,475)	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	89,189	327,552	-	13,157	-	7,714	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	89,189	327,552	-	13,157	-	7,714	-
Disbursements:								
Instruction	-	50,716	362,295	-	14,031	31	7,714	-
Support services	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	50,716	362,295	-	14,031	31	7,714	-
Excess (deficiency) of receipts over disbursements	-	38,473	(34,743)	-	(874)	(31)	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	38,473	(34,743)	-	(874)	(31)	-	-
Cash and investments - ending	\$ 5	\$ (2)	\$ (34,743)	\$ (1)	\$ (874)	\$ (31)	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Technology Related Assistance for Individuals with Disabilities	Medicaid Reimbursement - Federal 14-15	Medicaid Reimbursement - Federal 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title II 14-15	Title II 12-13	Title II 15-16
Cash and investments - beginning	\$ (793)	\$ 43,311	\$ -	\$ -	\$ (5,194)	\$ 1	\$ (59,300)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	969	37,449	29,670	-	37,520	-	62,927
Other receipts	-	-	-	-	-	-	-
Total receipts	969	37,449	29,670	-	37,520	-	62,927
Disbursements:							
Instruction	176	7,875	74	-	-	-	-
Support services	-	2,754	-	-	87,994	-	3,628
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	176	10,629	74	-	87,994	-	3,628
Excess (deficiency) of receipts over disbursements	793	26,820	29,596	-	(50,474)	-	59,299
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	793	26,820	29,596	-	(50,474)	-	59,299
Cash and investments - ending	\$ -	\$ 70,131	\$ 29,596	\$ -	\$ (55,668)	\$ 1	\$ (1)

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2016  
 (Continued)

	Rural Schools and Low Income Program - Pass Through State	Title VI Rural & Low-Income 12-13	Title VI Rural & Low-Income	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ (1,800)	\$ -	\$ -	\$ 52,281	\$ 3,650	\$ 736	\$ 6,436,470
Receipts:							
Local sources	-	-	-	-	-	-	6,752,050
Intermediate sources	-	-	-	-	-	-	150
State sources	-	-	-	-	-	-	12,787,748
Federal sources	26,850	-	-	-	-	-	1,999,605
Other receipts	-	-	-	2,763,950	263,216	79,623	3,153,937
Total receipts	<u>26,850</u>	<u>-</u>	<u>-</u>	<u>2,763,950</u>	<u>263,216</u>	<u>79,623</u>	<u>24,693,490</u>
Disbursements:							
Instruction	-	-	-	-	-	-	9,717,883
Support services	25,855	-	-	-	-	-	6,271,870
Noninstructional services	-	-	-	-	-	-	1,413,494
Facilities acquisition and construction	-	-	-	-	-	-	207,684
Debt services	-	-	-	-	-	-	3,230,726
Nonprogrammed charges	-	-	-	2,757,757	264,631	79,157	3,110,045
Total disbursements	<u>25,855</u>	<u>-</u>	<u>-</u>	<u>2,757,757</u>	<u>264,631</u>	<u>79,157</u>	<u>23,951,702</u>
Excess (deficiency) of receipts over disbursements	<u>995</u>	<u>-</u>	<u>-</u>	<u>6,193</u>	<u>(1,415)</u>	<u>466</u>	<u>741,788</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	182,039
Transfers out	-	-	-	-	-	-	(182,039)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>995</u>	<u>-</u>	<u>-</u>	<u>6,193</u>	<u>(1,415)</u>	<u>466</u>	<u>741,788</u>
Cash and investments - ending	<u>\$ (805)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,474</u>	<u>\$ 2,235</u>	<u>\$ 1,202</u>	<u>\$ 7,178,258</u>

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KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 179,846</u>	<u>\$ 153,320</u>

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple Financial Service	Laptops	\$ 297,620	04/01/2015	08/01/2018
Knox Middle School Building Corporation	KMS Lease	2,422,000	01/15/2008	01/15/2021
Knox Middle School Building Corporation	KES Lease	565,000	06/30/2015	12/31/2018
US Bank	Copier	10,402	07/12/2012	07/12/2017
US Bank	Copier	9,090	01/01/2013	12/31/2017
US Bank	Copier	10,468	01/21/2013	12/31/2017
US Bank	Copier	<u>1,961</u>	06/14/2012	07/31/2017
Total of annual lease payments		<u>\$ 3,316,541</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
General obligation bonds	Pension Bond	\$ 1,496,992    \$ 302,158
General obligation bonds	Common School Loan	333,750    57,405
Qualified School Construction Bonds	Renovations	<u>1,400,000</u> <u>81,860</u> **
Totals		<u>\$ 3,230,742</u> <u>\$ 441,423</u>

\*\* Interest Only

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 2,072,200
Buildings	35,238,582
Improvements other than buildings	2,706,814
Machinery, equipment, and vehicles	4,691,002
Construction in progress	<u>1,975,000</u>
Total capital assets	<u>\$ 46,683,598</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE KNOX COMMUNITY SCHOOL  
CORPORATION, STARKE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Knox Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2016-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2014 to June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2016-003, and 2016-004 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

May 10, 2017

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14/15, FY 15/16	\$ -	\$ 204,900	\$ -	\$ 249,288
National School Lunch Program		10.555	FY 14/15, FY 15/16	-	548,463	-	676,166
Summer Food Service Program for Children		10.559	FY 14/15, FY 15/16	-	12,554	-	11,612
Total - Child Nutrition Cluster				-	765,917	-	937,066
Total - Department of Agriculture				-	765,917	-	937,066
<b>Department of Education</b>							
Special Education Cluster							
Special Education_Grants to States	Indiana Department of Education						
Special Education FY2013 Part B 611		84.027	14213-139-PN01	-	95	-	-
Special Education FY2014 Part B 611			14214-139-PN01	-	102,234	-	-
Special Education FY2014 Technical Assistance			99914-139-TA01	-	1,369	-	969
Special Education FY2015 Part B 611			14215-139-PN01	-	353,091	-	89,189
Special Education FY2016 Part B 611			14216-139-PN01	-	-	-	327,552
Total - Special Education_Grants to States				-	456,789	-	417,710
Special Education_Preschool Grants	Indiana Department of Education						
Special Education FY2015 Part B 619		84.173	45715-139-PN01	-	15,483	-	-
Special Education FY2016 Part B 619			45716-110-PN01	-	-	-	13,157
Total - Special Education_Preschool Grants				-	15,483	-	13,157
Total - Special Education Cluster				-	472,272	-	430,867
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I 13-14		84.010	SY 2013-2014	-	123,260	-	-
Title I 14-15			SY 2014-2015	-	363,642	-	106,695
Title I 15-16			SY 2015-2016	-	-	-	388,897
Total - Title I Grants to Local Educational Agencies				-	486,902	-	495,592
Career and Technical Education--Basic Grants to States	Indiana Department of Education						
Carl Perkins Grant		84.048	SY 2014-2015	-	7,714	-	-
			SY 2015-2016	-	-	-	7,714
Total - Career and Technical Education--Basic Grants to States				-	7,714	-	7,714
Rural Education	Indiana Department of Education						
Rural and Low Income School Program		84.358	FY 2012	-	6,985	-	-
			FY 2013	-	38,337	-	-
			FY 2014	-	4,190	-	26,850
Total - Rural Education				-	49,512	-	26,850
Supporting Effective Instruction State Grant	Indiana Department of Education						
Title II, Part A 12-13		84.367	FFY2013	-	5,575	-	-
Title II, Part A 13-15			FFY2014	-	44,814	-	62,927
Title II, Part A 14-16			FFY2015	-	-	-	37,520
Total - Supporting Effective Instruction State Grant				-	50,389	-	100,447
Total - Department of Education				-	1,066,789	-	1,061,470
Total federal awards expended				\$ -	\$ 1,832,706	\$ -	\$ 1,998,536

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for Child Nutrition Cluster Unmodified for Title 1 Grants to Local Educational Agencies
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

No matters are reportable.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2016-001 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16  
Pass-Through Entity: Indiana Department of Education

*Repeat Finding*

This finding is a partial repeat of Finding 2014-001 from the immediate prior audit year.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance related to the grant agreement and the Eligibility, Reporting, and Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Eligibility*

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. The applications were entered into a software program that automatically determined eligibility. There was no oversight or review to ensure that the information entered into the software was accurate.

*Reporting*

There were no controls in place to ensure that the Annual Financial Report was accurate prior to submission.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

There were no controls in place to ensure that the Verification Summary Report was accurate prior to submission.

*Context*

The lack of controls was a systemic issue. There were no controls throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. The lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2016-002 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all payroll disbursements were for allowable costs, or that semiannual certifications and/or time and effort records were maintained in compliance with program requirements.

The Food Service Director failed to maintain semiannual certifications and time and effort records for full-time and part-time employees paid from the School Lunch fund.

*Context*

This was a systemic problem. There was a lack of controls throughout the audit period. In addition, semiannual certifications and/or time and effort records were not maintained for any full-time or part-time employees throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment B, section 8(h) states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . ."

- (3) Where employees are expected to work solely on a single Federal award or costobjective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award . . ."

2 CFR Appendix B to Part 225, section 8(h) states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non-Federal award . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles requirements. We also recommended that the School Corporation comply with the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that equipment purchased with federal funds was properly recorded in compliance with program requirements.

The School Corporation failed to record the Elementary School cafeteria renovation project on its Capital Asset Record (property records). The cafeteria renovation project totaled \$1,975,000 and the School Lunch fund purchased equipment for \$129,261.

*Context*

This was a systemic problem. There were no controls over property records for equipment purchased with federal funds throughout the audit period. In addition, the School Corporation failed to record a material amount of equipment purchased with federal funds.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 3016.32(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property Management requirements. We also recommended that the School Corporation comply with the Equipment and Real Property Management compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-004 - REPORTING***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013-2014, SY 2014-2015,  
SY 2015-2016  
Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

There were no controls in place to ensure that the Annual Final Expenditure Reports were accurate prior to submission.

*Context*

This was a systemic problem. There was a lack of controls throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. The lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



*Sherry Sue Fort*  
Business Manager

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2014-001**

Fiscal year in which the finding initially occurred: FY 12-13, FY 13-14

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Sherry Sue Fort

Contact Phone Number: 574-772-1604

Status of Audit Finding:

Federal and State information is gathered by the Food Service Director and reviewed by Food Service Treasurer.

Knox Community School is in the process of reviewing all internal controls and the Free and Reeducated application will be entered by Food Service Director and reviewed by Food Service Treasurer. Applications will be dated and initialed by each individual. This will be fully implemented for the 17-18 school (July1, 2017).

Corporation Treasurer

March 28, 2017

(Note of Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, Section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR \$200.511(b)



**Sherry Sue Fort**  
Business Manager

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**CORRECTIVE ACTION PLAN**

**Finding 2016-001**

Fiscal year in which the finding initially occurred: FY 15, FY 16

Pass-Through Entity: Indiana Department of Education

**Education**

Contact Person Responsible for Corrective Action: Sherry Sue Fort

Contact Phone Number: 574-772-1064

We concur with the finding:

Free and reduced application are entered by Food Service Director and reviewed by Food Service Treasurer. Applications will be dated and initialed by each individual.

Completion Date: Implemented for the 17-18 School Year (August, 2017)

**Finding 2016-002**

Fiscal year in which the finding initially occurred: FY 15, FY16

Pass-Through Entity: Indiana Department of Education

**Education**

Contact Person Responsible for Corrective Action: Sherry Sue Fort

Contact Phone Number: 574-772-1604

We concur with the finding:

Time and Effort records will be on file for each Food Service employee working more than one job in Knox Community School Corporation. Semi Annual Certification will be completed for Jan 1, 2017 through June 30, 2017.

Completion Date: Implemented for the 17-18 School Year (August, 2017)



**Sherry Sue Fort**  
Business Manager

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**Finding 2016-003**

Fiscal year in which the finding initially occurred: FY 15, FY 16

Pass-Through Entity: Indiana Department of Education

**Education**

Contact Person Responsible for Corrective Action: Sherry Sue Fort

Contact Phone Number: 574-772-1604

We concur with the finding:

Inventory of purchased kitchen equipment will be completed and recorded into the fixed asset report for the corporation.

Completion Date: October, 2017

**Finding 2016-004**

Fiscal year in which the finding initially occurred: FY 15, FY 16

Pass-Through Entity: Indiana Department of Education

**Education**

Contact Person Responsible for Corrective Action: Sherry Sue Fort

Contact Phone Number: 574-772-1604

We concur with the finding

Annual Final Expenditure Report will be complied by Treasurer and verified by Deputy Treasurer. Both individuals will initial and date report.

Completion Date: August, 2017

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.