

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH KNOX SCHOOL CORPORATION
KNOX COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lori Blann (Vacant) Tamara L. Asdell	07-01-13 to 05-06-16 05-07-16 to 05-08-16 05-09-16 to 12-31-17
Superintendent of Schools	Timothy A. Grove	07-01-13 to 12-31-17
President of the School Board	Dennis Carnahan Alicia Houchin Gary Holscher	07-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the South Knox School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, 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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, 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 24, 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 24, 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 SOUTH KNOX SCHOOL CORPORATION, KNOX 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 South Knox School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated May 24, 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 24, 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.

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SOUTH KNOX SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 572,003	\$ 6,730,729	\$ 7,059,164	\$ 68	\$ 243,636	\$ 7,120,818	\$ 6,834,385	\$ 1,390	\$ 531,459
Debt Service	723,568	1,361,090	1,090,180	(21,631)	972,847	1,158,747	1,089,961	(1,968)	1,039,665
Retirement/Severance Bond Debt Service	64,332	214,760	224,239	(3,255)	51,598	72,837	118,481	-	5,954
Capital Projects	261,254	1,378,510	1,199,806	(117,074)	322,884	1,468,880	1,341,856	(146,100)	303,808
School Transportation	652,397	1,385,017	1,210,720	(257,259)	569,435	1,434,938	1,241,519	(200,000)	562,854
School Bus Replacement	116,622	54,975	-	(781)	170,816	56,600	122,395	7,500	112,521
Rainy Day	816,551	-	211,036	400,000	1,005,515	-	96,434	325,000	1,234,081
School Lunch	54,348	499,192	543,202	-	10,338	587,301	541,906	25,000	80,733
Textbook Rental	91,599	111,235	129,668	-	73,166	127,415	126,036	1,968	76,513
Self-Insurance	194,878	636,856	368,515	-	463,219	395,237	427,261	-	431,195
Levy Excess	-	-	-	-	-	-	-	-	-
Educational License Plates	-	263	263	-	-	319	300	-	19
Education Foundation Donations	16,037	33,785	28,205	-	21,617	22,499	23,180	-	20,936
PTO Donations	-	-	-	-	-	3,907	2,393	-	1,514
Gifted and Talented Grant	1,295	28,311	27,666	-	1,940	28,578	29,508	-	1,010
Secured Schools Safety Grant	-	-	-	-	-	35,817	37,835	-	(2,018)
School Technology	913	7,097	7,873	-	137	10,819	8,381	-	2,575
Iread K-2	650	-	650	-	-	-	-	-	-
Advancing Academic Excellence	527	-	527	-	-	-	-	-	-
P.L. 107-110 Title I FY 13	(6,183)	20,650	14,468	-	(1)	-	-	-	(1)
P.L. 107-110 Title I FY 14	-	70,323	72,113	-	(1,790)	17,813	16,024	-	(1)
P.L. 107-110 Title I FY 15	-	-	-	-	-	65,099	71,901	-	(6,802)
IDEA Part B FY 2013	(13,256)	43,360	30,154	-	(50)	50	-	-	-
IDEA Part B FY 2014	-	164,702	176,132	-	(11,430)	47,879	36,452	-	(3)
IDEA Part B 611 TA FY 2014	-	1,844	1,844	-	-	1,663	1,663	-	-
IDEA Part B FY 2015	-	-	-	-	-	144,750	159,868	-	(15,118)
Improving Teaching Quality, No Child Left, Title II, Part A	(2,608)	33,823	33,910	-	(2,695)	33,979	33,893	-	(2,609)
Prepaid Food	14,039	2,243	271	-	16,011	458	731	-	15,738
Payroll Withholding	54,081	1,778,639	1,766,063	-	66,657	1,726,154	1,725,679	-	67,132
Totals	\$ 3,613,047	\$ 14,557,404	\$ 14,196,669	\$ 68	\$ 3,973,850	\$ 14,562,557	\$ 14,088,042	\$ 12,790	\$ 4,461,155

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

SOUTH KNOX 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.

SOUTH KNOX 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.

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 service. 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.

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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the reimbursement of grant fund expenditures made by the School Corporation not being received by June 30, 2014 and 2015.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with South Knox School Building Corporation (the lessor). 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 2014 and 2015 totaled \$949,500 in each year.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

Subsequent to June 30, 2015, the School Corporation issued the following bonds:

<u>Bond Issue</u>	<u>Date of Issuance</u>	<u>Purpose</u>	<u>Amount</u>
South Knox SPARTA Ad Valorem Property Tax First Mortgage Bonds, Series 2016	12-20-16	Renovation and Improvements of/to South Knox Elementary and South Knox Middle-High School	\$ 8,845,000

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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.

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 572,003	\$ 723,568	\$ 64,332	\$ 261,254	\$ 652,397	\$ 116,622	\$ 816,551	\$ 54,348
Receipts:								
Local sources	33,293	1,326,264	214,760	1,378,510	1,384,428	54,975	-	316,755
Intermediate sources	1,793	-	-	-	-	-	-	-
State sources	6,681,701	-	-	-	-	-	-	8,060
Federal sources	-	34,826	-	-	-	-	-	174,377
Other receipts	13,942	-	-	-	589	-	-	-
Total receipts	6,730,729	1,361,090	214,760	1,378,510	1,385,017	54,975	-	499,192
Disbursements:								
Instruction	4,829,371	-	-	-	-	-	122,298	-
Support services	2,097,401	-	-	963,018	1,210,720	-	82,630	-
Noninstructional services	132,392	-	-	-	-	-	6,108	543,074
Facilities acquisition and construction	-	-	-	236,788	-	-	-	128
Debt service	-	1,090,180	224,239	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,059,164	1,090,180	224,239	1,199,806	1,210,720	-	211,036	543,202
Excess (deficiency) of receipts over disbursements	(328,435)	270,910	(9,479)	178,704	174,297	54,975	(211,036)	(44,010)
Other financing sources (uses):								
Sale of capital assets	68	-	-	-	-	-	-	-
Transfers in	-	-	-	-	62,757	-	400,000	-
Transfers out	-	(21,631)	(3,255)	(117,074)	(320,016)	(781)	-	-
Total other financing sources (uses)	68	(21,631)	(3,255)	(117,074)	(257,259)	(781)	400,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(328,367)	249,279	(12,734)	61,630	(82,962)	54,194	188,964	(44,010)
Cash and investments - ending	\$ 243,636	\$ 972,847	\$ 51,598	\$ 322,884	\$ 569,435	\$ 170,816	\$ 1,005,515	\$ 10,338

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Education Foundation Donations	PTO Donations	Gifted and Talented Grant	Secured Schools Safety Grant
Cash and investments - beginning	\$ 91,599	\$ 194,878	\$ -	\$ -	\$ 16,037	\$ -	\$ 1,295	\$ -
Receipts:								
Local sources	83,097	322,802	-	-	33,785	-	-	-
Intermediate sources	-	-	-	263	-	-	-	-
State sources	27,838	-	-	-	-	-	28,311	-
Federal sources	-	-	-	-	-	-	-	-
Other receipts	300	314,054	-	-	-	-	-	-
Total receipts	111,235	636,856	-	263	33,785	-	28,311	-
Disbursements:								
Instruction	-	-	-	263	24,426	-	27,666	-
Support services	129,668	-	-	-	3,779	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	368,515	-	-	-	-	-	-
Total disbursements	129,668	368,515	-	263	28,205	-	27,666	-
Excess (deficiency) of receipts over disbursements	(18,433)	268,341	-	-	5,580	-	645	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	62,757	-	-	-	-	-
Transfers out	-	-	(62,757)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,433)	268,341	-	-	5,580	-	645	-
Cash and investments - ending	\$ 73,166	\$ 463,219	\$ -	\$ -	\$ 21,617	\$ -	\$ 1,940	\$ -

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	School Technology	Iread K-2	Advancing Academic Excellence	P.L. 107-110 Title I FY 13	P.L. 107-110 Title I FY 14	P.L. 107-110 Title I FY 15	IDEA Part B FY 2013
Cash and investments - beginning	\$ 913	\$ 650	\$ 527	\$ (6,183)	\$ -	\$ -	\$ (13,256)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	7,097	-	-	-	-	-	-
Federal sources	-	-	-	20,650	70,323	-	43,360
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>7,097</u>	<u>-</u>	<u>-</u>	<u>20,650</u>	<u>70,323</u>	<u>-</u>	<u>43,360</u>
Disbursements:							
Instruction	-	650	527	14,468	72,113	-	30,154
Support services	7,873	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>7,873</u>	<u>650</u>	<u>527</u>	<u>14,468</u>	<u>72,113</u>	<u>-</u>	<u>30,154</u>
Excess (deficiency) of receipts over disbursements	<u>(776)</u>	<u>(650)</u>	<u>(527)</u>	<u>6,182</u>	<u>(1,790)</u>	<u>-</u>	<u>13,206</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>(776)</u>	<u>(650)</u>	<u>(527)</u>	<u>6,182</u>	<u>(1,790)</u>	<u>-</u>	<u>13,206</u>
Cash and investments - ending	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1,790)</u>	<u>\$ -</u>	<u>\$ (50)</u>

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	IDEA Part B FY 2014	IDEA Part B 611 TA FY 2014	IDEA Part B FY 2015	Improving Teaching Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (2,608)	\$ 14,039	\$ 54,081	\$ 3,613,047
Receipts:							
Local sources	-	-	-	-	-	-	5,148,669
Intermediate sources	-	-	-	-	-	-	2,056
State sources	-	-	-	-	-	-	6,753,007
Federal sources	164,702	1,844	-	33,823	-	-	543,905
Other receipts	-	-	-	-	2,243	1,778,639	2,109,767
Total receipts	<u>164,702</u>	<u>1,844</u>	<u>-</u>	<u>33,823</u>	<u>2,243</u>	<u>1,778,639</u>	<u>14,557,404</u>
Disbursements:							
Instruction	176,132	1,844	-	33,910	-	-	5,333,822
Support services	-	-	-	-	-	-	4,495,089
Noninstructional services	-	-	-	-	-	-	681,574
Facilities acquisition and construction	-	-	-	-	-	-	236,916
Debt service	-	-	-	-	-	-	1,314,419
Nonprogrammed charges	-	-	-	-	271	1,766,063	2,134,849
Total disbursements	<u>176,132</u>	<u>1,844</u>	<u>-</u>	<u>33,910</u>	<u>271</u>	<u>1,766,063</u>	<u>14,196,669</u>
Excess (deficiency) of receipts over disbursements	<u>(11,430)</u>	<u>-</u>	<u>-</u>	<u>(87)</u>	<u>1,972</u>	<u>12,576</u>	<u>360,735</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	68
Transfers in	-	-	-	-	-	-	525,514
Transfers out	-	-	-	-	-	-	(525,514)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(11,430)</u>	<u>-</u>	<u>-</u>	<u>(87)</u>	<u>1,972</u>	<u>12,576</u>	<u>360,803</u>
Cash and investments - ending	<u>\$ (11,430)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,695)</u>	<u>\$ 16,011</u>	<u>\$ 66,657</u>	<u>\$ 3,973,850</u>

SOUTH KNOX 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	School Lunch
Cash and investments - beginning	\$ 243,636	\$ 972,847	\$ 51,598	\$ 322,884	\$ 569,435	\$ 170,816	\$ 1,005,515	\$ 10,338
Receipts:								
Local sources	32,719	1,158,747	72,837	1,465,891	1,434,879	56,600	-	390,876
Intermediate sources	448	-	-	-	-	-	-	-
State sources	7,072,539	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	196,425
Other receipts	15,112	-	-	2,989	59	-	-	-
Total receipts	<u>7,120,818</u>	<u>1,158,747</u>	<u>72,837</u>	<u>1,468,880</u>	<u>1,434,938</u>	<u>56,600</u>	<u>-</u>	<u>587,301</u>
Disbursements:								
Instruction	4,677,534	-	-	-	-	-	32,349	-
Support services	2,018,352	-	-	907,269	1,241,519	122,395	59,840	-
Noninstructional services	138,499	-	-	-	-	-	4,245	541,906
Facilities acquisition and construction	-	-	-	434,587	-	-	-	-
Debt service	-	1,089,961	118,481	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>6,834,385</u>	<u>1,089,961</u>	<u>118,481</u>	<u>1,341,856</u>	<u>1,241,519</u>	<u>122,395</u>	<u>96,434</u>	<u>541,906</u>
Excess (deficiency) of receipts over disbursements	<u>286,433</u>	<u>68,786</u>	<u>(45,644)</u>	<u>127,024</u>	<u>193,419</u>	<u>(65,795)</u>	<u>(96,434)</u>	<u>45,395</u>
Other financing sources (uses):								
Sale of capital assets	1,390	-	-	3,900	-	7,500	-	-
Transfers in	-	-	-	-	-	-	350,000	25,000
Transfers out	-	(1,968)	-	(150,000)	(200,000)	-	(25,000)	-
Total other financing sources (uses)	<u>1,390</u>	<u>(1,968)</u>	<u>-</u>	<u>(146,100)</u>	<u>(200,000)</u>	<u>7,500</u>	<u>325,000</u>	<u>25,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>287,823</u>	<u>66,818</u>	<u>(45,644)</u>	<u>(19,076)</u>	<u>(6,581)</u>	<u>(58,295)</u>	<u>228,566</u>	<u>70,395</u>
Cash and investments - ending	<u>\$ 531,459</u>	<u>\$ 1,039,665</u>	<u>\$ 5,954</u>	<u>\$ 303,808</u>	<u>\$ 562,854</u>	<u>\$ 112,521</u>	<u>\$ 1,234,081</u>	<u>\$ 80,733</u>

SOUTH KNOX 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)

	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Education Foundation Donations	PTO Donations	Gifted and Talented Grant	Secured Schools Safety Grant
Cash and investments - beginning	\$ 73,166	\$ 463,219	\$ -	\$ -	\$ 21,617	\$ -	\$ 1,940	\$ -
Receipts:								
Local sources	95,972	282,996	-	-	22,499	3,907	-	-
Intermediate sources	-	-	-	319	-	-	-	-
State sources	31,443	-	-	-	-	-	28,578	35,817
Federal sources	-	-	-	-	-	-	-	-
Other receipts	-	112,241	-	-	-	-	-	-
Total receipts	127,415	395,237	-	319	22,499	3,907	28,578	35,817
Disbursements:								
Instruction	-	-	-	300	20,014	2,393	29,508	-
Support services	126,036	-	-	-	3,166	-	-	11,352
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	26,483
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	427,261	-	-	-	-	-	-
Total disbursements	126,036	427,261	-	300	23,180	2,393	29,508	37,835
Excess (deficiency) of receipts over disbursements	1,379	(32,024)	-	19	(681)	1,514	(930)	(2,018)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	1,968	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,968	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,347	(32,024)	-	19	(681)	1,514	(930)	(2,018)
Cash and investments - ending	\$ 76,513	\$ 431,195	\$ -	\$ 19	\$ 20,936	\$ 1,514	\$ 1,010	\$ (2,018)

SOUTH KNOX 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)

	School Technology	Iread K-2	Advancing Academic Excellence	P.L. 107-110 Title I FY 13	P.L. 107-110 Title I FY 14	P.L. 107-110 Title I FY 15	IDEA Part B FY 2013
Cash and investments - beginning	\$ 137	\$ -	\$ -	\$ (1)	\$ (1,790)	\$ -	\$ (50)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	7,149	-	-	-	-	-	-
Federal sources	3,670	-	-	-	17,813	65,099	50
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>10,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,813</u>	<u>65,099</u>	<u>50</u>
Disbursements:							
Instruction	-	-	-	-	16,024	71,901	-
Support services	8,381	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>8,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,024</u>	<u>71,901</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,789</u>	<u>(6,802)</u>	<u>50</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>2,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,789</u>	<u>(6,802)</u>	<u>50</u>
Cash and investments - ending	<u>\$ 2,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (6,802)</u>	<u>\$ -</u>

SOUTH KNOX 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)

	IDEA Part B FY 2014	IDEA Part B 611 TA FY 2014	IDEA Part B FY 2015	Improving Teaching Quality, No Child Left, Title II, Part A	Prepaid Food	Payroll Withholding	Totals
Cash and investments - beginning	\$ (11,430)	\$ -	\$ -	\$ (2,695)	\$ 16,011	\$ 66,657	\$ 3,973,850
Receipts:							
Local sources	-	-	-	-	-	-	5,017,923
Intermediate sources	-	-	-	-	-	-	767
State sources	-	-	-	-	-	-	7,175,526
Federal sources	47,879	1,663	144,750	33,979	-	-	511,328
Other receipts	-	-	-	-	458	1,726,154	1,857,013
Total receipts	<u>47,879</u>	<u>1,663</u>	<u>144,750</u>	<u>33,979</u>	<u>458</u>	<u>1,726,154</u>	<u>14,562,557</u>
Disbursements:							
Instruction	36,452	1,663	159,868	33,893	-	-	5,081,899
Support services	-	-	-	-	-	-	4,498,310
Noninstructional services	-	-	-	-	-	-	684,650
Facilities acquisition and construction	-	-	-	-	-	-	461,070
Debt service	-	-	-	-	-	-	1,208,442
Nonprogrammed charges	-	-	-	-	731	1,725,679	2,153,671
Total disbursements	<u>36,452</u>	<u>1,663</u>	<u>159,868</u>	<u>33,893</u>	<u>731</u>	<u>1,725,679</u>	<u>14,088,042</u>
Excess (deficiency) of receipts over disbursements	<u>11,427</u>	<u>-</u>	<u>(15,118)</u>	<u>86</u>	<u>(273)</u>	<u>475</u>	<u>474,515</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	12,790
Transfers in	-	-	-	-	-	-	376,968
Transfers out	-	-	-	-	-	-	(376,968)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,790</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,427</u>	<u>-</u>	<u>(15,118)</u>	<u>86</u>	<u>(273)</u>	<u>475</u>	<u>487,305</u>
Cash and investments - ending	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ (15,118)</u>	<u>\$ (2,609)</u>	<u>\$ 15,738</u>	<u>\$ 67,132</u>	<u>\$ 4,461,155</u>

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SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 24,531</u>	<u>\$ 132,224</u>

SOUTH KNOX SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
South Knox School Building Corporation	Construction of Elementary School	\$ 948,500	8/19/1997	6/30/2018
Total of annual lease payments		<u>\$ 948,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Qualified School Construction Bonds of 2009	\$ 1,330,000	\$ 205,738
Totals		<u>\$ 1,330,000</u>	<u>\$ 205,738</u>

SOUTH KNOX SCHOOL CORPORATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2015

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.

	Ending Balance
Governmental activities:	
Land	\$ 50,000
Buildings	10,609,890
Improvements other than buildings	58,285
Machinery, equipment, and vehicles	3,170,690
Total governmental activities	13,888,865
Total capital assets	\$ 13,888,865

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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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 SOUTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the South Knox 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, 2013 to June 30, 2015. 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. Except as discussed in the following paragraph, 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 2015-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications. Consequently, we were unable to determine whether the School Corporation complied with this requirement applicable to the 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 effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of the Child Nutrition Cluster regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications, described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2013 to June 30, 2015.

Unmodified Opinion on Title I Grants to Local Educational Agencies

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 the Title I Grants to Local Educational Agencies program, as identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs, for the period of July 1, 2013 to June 30, 2015.

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 items 2015-002 and 2015-004. 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

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

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 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005 to be material weaknesses.

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 24, 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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SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2014 and 2015

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 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast			FY 13/14	\$ -	\$ 19,842	\$ -	\$ -
School Breakfast			FY 14/15	-	-	-	23,254
Total - School Breakfast Program				-	19,842	-	23,254
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 13/14	-	154,534	-	-
School Lunch - Commodities			FY 14/15	-	-	-	166,411
			Commodities	-	34,900	-	34,923
Total - National School Lunch Program				-	189,434	-	201,334
Total - Child Nutrition Cluster				-	209,276	-	224,588
Total - Department of Agriculture				-	209,276	-	224,588
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
IDEA Part B FY2015	Indiana Department of Education	84.027					
IDEA Part B 611 TA FY2014			14215-034-PN01	-	-	-	144,750
			99914-034-TA01	-	1,844	-	1,663
Total - Special Education_Grants to States				-	1,844	-	146,413
Special Education_Preschool Grants							
Preschool 12-13	Indiana Department of Education	84.173					
Preschool 13-14			45712-034-PN01	-	4,474	-	-
Preschool 14-15			45713-034-PN01	-	6,976	-	5,752
			45714-034-PN01	-	-	-	7,224
Total - Special Education_Preschool Grants				-	11,450	-	12,976
ARRA - Special Education Grants to States, Recovery Act							
IDEA Part B FY2013	Indiana Department of Education	84.391					
IDEA Part B FY2014			14213-034-PN01	-	43,360	-	50
			14214-034-PN01	-	164,702	-	47,879
Total - ARRA - Special Education Grants to States, Recovery Act				-	208,062	-	47,929
Total - Special Education Cluster (IDEA)				-	221,356	-	207,318
Title I Grants to Local Educational Agencies							
P.L. 107-110 Title I	Indiana Department of Education	84.010					
P.L. 107-110 Title I			13-4325	-	20,650	-	-
P.L. 107-110 Title I			14-4325	-	70,323	-	17,813
			15-4325	-	-	-	65,099
Total - Title I Grants to Local Educational Agencies				-	90,973	-	82,912
Improving Teacher Quality State Grants							
Title IIA NCLB Improving Teacher Quality	Indiana Department of Education	84.367					
Title IIA NCLB Improving Teacher Quality			14-4325	-	33,823	-	-
			15-4325	-	-	-	33,979
Total - Improving Teacher Quality State Grants				-	33,823	-	33,979
Total - Department of Education				-	346,152	-	324,209
Total federal awards expended				\$ -	\$ 555,428	\$ -	\$ 548,797

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

SOUTH KNOX 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, 2014 and 2015. 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.

SOUTH KNOX 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 weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified as to Child Nutrition Cluster Unmodified as to Title I 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 Program(s):

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I 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
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Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-001 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place to ensure compliance with the Cash Management requirement that the School Lunch fund monthly cash balances (Net Cash Resources) did not exceed the three months average expenditures.

An effective internal control system was not in place at the School Corporation to ensure that the monthly Sponsor Claims (claims for reimbursement) and SNP Annual Financial Reports were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process.

Context

This was a systemic problem within the School Breakfast Program and National School Lunch Program. Controls did not exist over the Cash Management and Reporting compliance requirements during 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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Lunch fund monthly cash balances did not exceed the average expenditures for three months, or that required reports were accurately and completely prepared.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management and Reporting compliance requirements.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-002 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place to ensure that the weighted-average paid lunch price calculations were completed and that the paid lunch prices were established accordingly. The School Corporation did not perform the weighted-average paid lunch price calculation for either school year.

Context

This was a systemic problem within the National School Lunch program. The School Corporation was required to perform the weighted-average calculation for both school years in the audit period. The weighted-average paid lunch price calculation was not performed for either school year as required and it could not be determined if the paid lunch equity requirement was met for either school year.

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. . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

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

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish controls enabled material noncompliance to occur. 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 and implement procedures to comply with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

**FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS - VERIFICATION
OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed and that the supporting documentation of the verification process was retained and available for audit.

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

The Verification Summary for the 2013-2014 school year indicated that four applications were verified, and, of those, two required a change in status. However, documentation indicating what actions were taken as a result of the verification was not available.

The Verification Summary for the 2014-2015 school year indicated that four applications were verified; however, documentation supporting the review process and which applications were actually verified was not available.

Context

There was no audit evidence available to determine if the verification process was properly conducted for either year.

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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation maintained and made available for audit the documentation necessary to support the verification of applications of students served under these federal programs.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no question costs identified.

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

Recommendation

We recommended that the School Corporation establish a system of internal controls over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement and implement procedures that would ensure that records are retained and available for audit.

Views of Responsible Officials

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

FINDING 2015-004 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Number): FY 13/14, FY 14/15

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 Eligibility compliance requirement. Eligibility for free or reduced price meals was not always determined correctly.

Context

Eligibility for 2 of 25 applications tested was determined incorrectly. One application was approved for free meals, but was only eligible for reduced meals. One application was approved for reduced meals, but was eligible for free meals.

Criteria

7 CFR 245.3(b) Eligibility standards and criteria states in part: "Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. . . ."

7 CFR 245.6(c)(4) states:

"*Calculating income.* The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in §245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in §245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Eligibility compliance requirement.

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

Effect

The failure to establish effective internal controls over eligibility enabled material noncompliance to go undetected.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to comply with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

FINDING 2015-005 - 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 Number): 13-4325, 14-4325, 15-4325

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place to ensure compliance with the Reporting compliance requirement. The same person both prepared and submitted the Annual Expenditure Report with no review or approval process in place.

Context

This was a systemic problem within the Title I Grants to Local Educational Agencies program. Controls did not exist over the Annual Expenditure Report within the Reporting compliance requirement during 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. . . ."

Cause

Management had not developed a system of internal controls over the Annual Expenditure Report that would have ensured compliance with the Reporting compliance requirement.

SOUTH KNOX 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 Reporting compliance requirement.

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.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

South Knox School Corporation

6116 E St Rd 61
Vincennes, IN 47591
812-726-4440

Timothy A. Grove, Superintendent

Corrective Action Plan

Finding 2015-001

Contact Person Responsible for Corrective Action: Tim Grove
Contact Phone Number: 812-726-4440

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer will maintain a spreadsheet monthly to monitor School Lunch fund cash balances to ensure cash balance does not exceed three-month average expenditures.

Food Service Director will prepare monthly sponsor claims and SNP Annual Financial Reports. Food Service Director's assistant will review monthly claims and annual reports. Copies of claims and annual reports will be forwarded to the central office.

Anticipated Completion Date: Immediate

Finding 2015-002

Contact Person Responsible for Corrective Action: Tim Grove
Contact Phone Number: 812-726-4440

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer and Food Service Director will work together to perform the Paid Lunch Equity calculations annually and to establish paid lunch prices as indicated by the formula.

Anticipated Completion Date: Immediate

Finding 2015-003

Contact Person Responsible for Corrective Action: Tim Grove
Contact Phone Number: 812-726-4440

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Information to support the School Lunch food program verification of eligibility will be retained for audit. A records folder will be created and maintained.

Anticipated Completion Date: Immediate

Finding 2015-004

Contact Person Responsible for Corrective Action: Tim Grove
Contact Phone Number: 812-726-4440

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Food Service Director will process all free/reduced applications for both schools. Food Service Director's Assistant will confirm eligibility.

Anticipated Completion Date: Immediate

Finding 2015-005

Contact Person Responsible for Corrective Action: Tim Grove
Contact Phone Number: 812-726-4440

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer will prepare the Annual Expenditure report. Superintendent will review and approve the report for submission by the Treasurer.

Anticipated Completion Date: Immediate



(Signature)

Superintendent
(Title)

May 24, 2017
(Date)

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/>.