

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH KNOX SCHOOL CORPORATION
KNOX COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terri Roesler	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Darrel L. Bobe	07-01-14 to 06-30-18
President of the School Board	Elaine Pepmeier	07-01-14 to 12-31-18



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the North Knox 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 April 9, 2018, 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 solely 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 effectiveness of the School Corporation's 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

April 9, 2018



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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 NORTH 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 North Knox 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 April 9, 2018, 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

April 9, 2018

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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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NORTH KNOX 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	\$ 2,077,809	\$ 9,036,399	\$ 8,946,116	\$ 7,556	\$ 2,175,648	\$ 8,565,679	\$ 8,845,832	\$ 1,185	\$ 1,896,680
Debt Service	408,318	1,066,467	891,258	-	583,527	1,108,115	953,025	-	738,617
Retirement/Severance Bond Debt Service	65,357	351,302	281,155	-	135,504	329,636	283,060	-	182,080
Capital Projects	1,027,958	1,083,837	929,699	315	1,182,411	1,120,331	1,117,317	-	1,185,425
School Transportation	1,559,180	1,224,419	1,055,352	(700,000)	1,028,247	1,153,633	1,088,707	-	1,093,173
School Bus Replacement	176,228	-	-	-	176,228	-	-	-	176,228
Rainy Day	1,373,180	-	431,690	700,000	1,641,490	-	646	-	1,640,844
Post-Retirement/Severance Future Benefits	445,061	-	104,063	-	340,998	-	19,500	-	321,498
School Lunch	351,760	679,164	644,542	-	386,382	691,290	619,976	-	457,696
Textbook Rental	119,967	135,687	43,604	-	212,050	123,908	107,316	-	228,642
Self-Insurance	2,774,771	1,368,028	141,870	-	4,000,929	1,626,286	337,829	-	5,289,386
Judgments	-	-	-	-	-	170	170	-	-
Educational License Plates	10,982	319	-	-	11,301	150	-	-	11,451
Alternative Education	-	4,770	3,787	-	983	3,634	3,702	-	915
School Intervention and Career Counseling	3,500	-	-	-	3,500	-	-	-	3,500
ASAI Grant 11-12	571	-	115	-	456	-	-	-	456
Instructional Support	3,000	6,810	6,757	-	3,053	-	-	(3,053)	-
United Way Kindergarden Program 15-16	-	-	-	-	-	4,934	5,131	3,053	2,856
Adult and Continuing Education FY 13-14	4,540	-	4,540	-	-	-	-	-	-
Adult and Continuing Education FY 14-15	-	18,615	18,615	-	-	13,849	13,849	-	-
Adult and Continuing Education FY 15-16	-	-	-	-	-	22,605	22,605	-	-
Construction, Remodeling, and Equipping Buildings	1,500	-	-	-	1,500	-	25	-	1,475
Miscellaneous Programs	13,194	9,950	5,731	-	17,413	5,987	5,908	-	17,492
Duke Energy Foundation Grant	1,850	-	-	-	1,850	-	1,850	-	-
Books for Kids Donation	75	-	28	-	47	-	-	-	47
Trabant Foundation - Warrior Bus	17,909	8,399	-	-	26,308	40,409	-	-	66,717
Kids First - Goodwill Prom	-	-	-	-	-	11,060	4,302	-	6,758
Formative Assessment	-	-	-	-	-	15,680	-	-	15,680
High Ability Grant FY 13-14	156	-	156	-	-	-	-	-	-
High Ability Grant FY 14-15	-	29,894	28,158	-	1,736	-	1,736	-	-
High Ability Grant FY 15-16	-	-	-	-	-	30,819	24,915	-	5,904
Secured Schools Safety Grant	(16,800)	16,800	28,758	-	(28,758)	33,200	59,309	-	(54,867)
School Technology	11,273	4,539	-	-	15,812	4,404	-	-	20,216
Pepsi-Cola Rebates	21,883	14,531	2,560	-	33,854	26,669	7,150	-	53,373
Title I - FY 13-14	(33,441)	139,791	106,350	-	-	-	-	-	-
Title I - FY 14-15	-	196,474	220,870	-	(24,396)	90,363	65,967	-	-
Title I - FY 15-16	-	-	-	-	-	183,309	221,464	-	(38,155)
Special Education Handicap Grant FY 12-13	-	59	59	-	-	-	-	-	-
Special Education Grant FY 13-14	(38,827)	147,219	108,392	-	-	-	-	-	-
Technical Assistance, Special Education	(159)	1,006	847	-	-	-	-	-	-
Special Education Grant FY 14-15	-	-	18,053	-	(18,053)	209,807	208,097	-	(16,343)
Title II, Part A, FY13	(5,621)	29,906	24,285	-	-	-	-	-	-
Title II, Part A, FY 14-16	-	36,540	42,161	-	(5,621)	22,055	16,434	-	-
Title II, FY 15-16	-	-	-	-	-	33,093	43,537	-	(10,444)
Rural and Low Income Schools FY 10	16,333	-	(8,270)	-	24,603	-	11,717	-	12,886
Rural and Low Income Schools FY 12-14	(2,482)	24,417	21,935	-	-	-	-	-	-
Rural and Low Income Schools FY 13	-	-	-	-	-	26,193	26,193	-	-
Prepaid Food	6,311	-	-	-	6,311	206,248	212,640	-	(81)
Payroll Clearing	16,263	1,959,034	1,968,335	-	6,962	1,956,983	1,950,285	-	13,660
Totals	\$ 10,411,599	\$ 17,594,376	\$ 16,071,571	\$ 7,871	\$ 11,942,275	\$ 17,660,499	\$ 16,280,194	\$ 1,185	\$ 13,323,765

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

NORTH 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.

NORTH 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:

Proceeds of long-term debt. Amounts received in relation to the issuance of bonds or other long-term debt issues.

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.

NORTH 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

NORTH 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.

NORTH 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. Negative Disbursements

The financial statement contains disbursements in one fund that appear as a negative entry. This is a result of the correction of errors from prior periods. The error made in the prior period was corrected by reversing the original entry in the current period. Since the original entry and the correction were made in separate periods, a negative disbursement was shown in the current period.

Note 8. 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, 2015 and 2016, and the transfers out of the Prepaid Food fund exceeding the deposits into the Prepaid Food fund.

NORTH KNOX SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 9. Restatements

For the year ended June 30, 2015, certain changes have been made to the beginning balance of the School Lunch fund in the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents the restated beginning balance:

Fund	Balance as of June 30, 2014	Prior Period Adjustment	Balance as of July 1, 2014
School Lunch	\$ 291,760	\$ 60,000	\$ 351,760

Note 10. Holding Corporation

The School Corporation has entered into several capital leases with North 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 2015 and 2016 totaled \$890,758 and \$953,024, respectively.

Note 11. Subsequent Event

Subsequent to June 30, 2016, the School Corporation issued the following bonds:

Bond Issue	Date of Issuance	Purpose	Amount
General Obligation Bonds, Series 2017	08-08-17	Replacement of air handler and chiller at North Knox High School	\$1,975,000

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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 Indiana Gateway for Government Units 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.

NORTH 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
Cash and investments - beginning	\$ 2,077,809	\$ 408,318	\$ 65,357	\$ 1,027,958	\$ 1,559,180	\$ 176,228	\$ 1,373,180
Receipts:							
Local sources	56,551	1,066,467	351,302	1,069,063	1,224,301	-	-
Intermediate sources	266	-	-	-	-	-	-
State sources	8,966,969	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	12,613	-	-	14,774	118	-	-
Total receipts	9,036,399	1,066,467	351,302	1,083,837	1,224,419	-	-
Disbursements:							
Instruction	6,082,068	-	-	-	-	-	-
Support services	2,611,261	-	-	541,930	1,055,352	-	1,124
Noninstructional services	252,787	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	387,769	-	-	430,566
Debt service	-	891,258	281,155	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	8,946,116	891,258	281,155	929,699	1,055,352	-	431,690
Excess (deficiency) of receipts over disbursements	90,283	175,209	70,147	154,138	169,067	-	(431,690)
Other financing sources (uses):							
Proceeds of long-term debt	7,556	-	-	315	-	-	-
Transfers in	-	-	-	-	-	-	700,000
Transfers out	-	-	-	-	(700,000)	-	-
Total other financing sources (uses)	7,556	-	-	315	(700,000)	-	700,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	97,839	175,209	70,147	154,453	(530,933)	-	268,310
Cash and investments - ending	\$ 2,175,648	\$ 583,527	\$ 135,504	\$ 1,182,411	\$ 1,028,247	\$ 176,228	\$ 1,641,490

NORTH KNOX SCHOOL CORPORATION
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 For the Year Ended June 30, 2015

	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Self- Insurance	Judgments	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 445,061	\$ 351,760	\$ 119,967	\$ 2,774,771	\$ -	\$ 10,982	\$ -
Receipts:							
Local sources	-	226,652	135,687	1,368,028	-	-	-
Intermediate sources	-	-	-	-	-	319	-
State sources	-	8,759	-	-	-	-	4,770
Federal sources	-	443,753	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	679,164	135,687	1,368,028	-	319	4,770
Disbursements:							
Instruction	-	-	-	-	-	-	3,787
Support services	104,063	-	43,604	-	-	-	-
Noninstructional services	-	644,542	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	141,870	-	-	-
Total disbursements	104,063	644,542	43,604	141,870	-	-	3,787
Excess (deficiency) of receipts over disbursements	(104,063)	34,622	92,083	1,226,158	-	319	983
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(104,063)	34,622	92,083	1,226,158	-	319	983
Cash and investments - ending	\$ 340,998	\$ 386,382	\$ 212,050	\$ 4,000,929	\$ -	\$ 11,301	\$ 983

NORTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	School Intervention and Career Counseling	ASAI Grant 11-12	Instructional Support	United Way Kindergarden Program 15-16	Adult and Continuing Education FY 13-14	Adult and Continuing Education FY 14-15
Cash and investments - beginning	\$ 3,500	\$ 571	\$ 3,000	\$ -	\$ 4,540	\$ -
Receipts:						
Local sources	-	-	6,810	-	-	18,615
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	6,810	-	-	18,615
Disbursements:						
Instruction	-	-	6,757	-	4,540	18,615
Support services	-	115	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	115	6,757	-	4,540	18,615
Excess (deficiency) of receipts over disbursements	-	(115)	53	-	(4,540)	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(115)	53	-	(4,540)	-
Cash and investments - ending	\$ 3,500	\$ 456	\$ 3,053	\$ -	\$ -	\$ -

NORTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH AND
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 For the Year Ended June 30, 2015

	Adult and Continuing Education FY 15-16	Construction, Remodeling, and Equipping Buildings	Miscellaneous Programs	Duke Energy Foundation Grant	Books for Kids Donation	Trabant Foundation - Warrior Bus
Cash and investments - beginning	\$ -	\$ 1,500	\$ 13,194	\$ 1,850	\$ 75	\$ 17,909
Receipts:						
Local sources	-	-	9,950	-	-	8,399
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	9,950	-	-	8,399
Disbursements:						
Instruction	-	-	1,683	-	-	-
Support services	-	-	4,048	-	28	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	5,731	-	28	-
Excess (deficiency) of receipts over disbursements	-	-	4,219	-	(28)	8,399
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	4,219	-	(28)	8,399
Cash and investments - ending	\$ -	\$ 1,500	\$ 17,413	\$ 1,850	\$ 47	\$ 26,308

NORTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2015

	Kids First - Goodwill Prom	Formative Assessment	High Ability Grant FY 13-14	High Ability Grant FY 14-15	High Ability Grant FY 15-16	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ 156	\$ -	\$ -	\$ (16,800)
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	29,894	-	16,800
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	29,894	-	16,800
Disbursements:						
Instruction	-	-	-	17,244	-	-
Support services	-	-	156	10,914	-	28,758
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	156	28,158	-	28,758
Excess (deficiency) of receipts over disbursements	-	-	(156)	1,736	-	(11,958)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(156)	1,736	-	(11,958)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,736	\$ -	\$ (28,758)

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	School Technology	Pepsi-Cola Rebates	Title I - FY 13-14	Title I - FY 14-15	Title I - FY 15-16	Special Education Handicap Grant FY 12-13
Cash and investments - beginning	\$ 11,273	\$ 21,883	\$ (33,441)	\$ -	\$ -	\$ -
Receipts:						
Local sources	4,539	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	14,531	-	-	-	-
Federal sources	-	-	139,791	196,474	-	59
Other receipts	-	-	-	-	-	-
Total receipts	<u>4,539</u>	<u>14,531</u>	<u>139,791</u>	<u>196,474</u>	<u>-</u>	<u>59</u>
Disbursements:						
Instruction	-	2,560	96,912	220,870	-	59
Support services	-	-	2,170	-	-	-
Noninstructional services	-	-	7,268	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>2,560</u>	<u>106,350</u>	<u>220,870</u>	<u>-</u>	<u>59</u>
Excess (deficiency) of receipts over disbursements	<u>4,539</u>	<u>11,971</u>	<u>33,441</u>	<u>(24,396)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>4,539</u>	<u>11,971</u>	<u>33,441</u>	<u>(24,396)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,812</u>	<u>\$ 33,854</u>	<u>\$ -</u>	<u>\$ (24,396)</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH KNOX SCHOOL CORPORATION
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	Special Education Grant FY 13-14	Technical Assistance, Special Education	Special Education Grant FY 14-15	Title II, Part A, FY 13	Title II, Part A, FY 14-16	Title II FY 15-16
Cash and investments - beginning	\$ (38,827)	\$ (159)	\$ -	\$ (5,621)	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	147,219	1,006	-	29,906	36,540	-
Other receipts	-	-	-	-	-	-
Total receipts	147,219	1,006	-	29,906	36,540	-
Disbursements:						
Instruction	108,392	847	18,053	24,285	42,161	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	108,392	847	18,053	24,285	42,161	-
Excess (deficiency) of receipts over disbursements	38,827	159	(18,053)	5,621	(5,621)	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38,827	159	(18,053)	5,621	(5,621)	-
Cash and investments - ending	\$ -	\$ -	\$ (18,053)	\$ -	\$ (5,621)	\$ -

NORTH KNOX SCHOOL CORPORATION
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 For the Year Ended June 30, 2015

	Rural and Low Income Schools FY 10	Rural and Low Income Schools FY 12-14	Rural and Low Income Schools FY 13	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ 16,333	\$ (2,482)	\$ -	\$ 6,311	\$ 16,263	\$ 10,411,599
Receipts:						
Local sources	-	-	-	-	-	5,546,364
Intermediate sources	-	-	-	-	-	585
State sources	-	-	-	-	-	9,041,723
Federal sources	-	24,417	-	-	-	1,019,165
Other receipts	-	-	-	-	1,959,034	1,986,539
Total receipts	-	24,417	-	-	1,959,034	17,594,376
Disbursements:						
Instruction	-	-	-	-	-	6,648,833
Support services	-	21,935	-	-	-	4,425,458
Noninstructional services	-	-	-	-	-	904,597
Facilities acquisition and construction	(8,270)	-	-	-	-	810,065
Debt service	-	-	-	-	-	1,172,413
Nonprogrammed charges	-	-	-	-	1,968,335	2,110,205
Total disbursements	(8,270)	21,935	-	-	1,968,335	16,071,571
Excess (deficiency) of receipts over disbursements	8,270	2,482	-	-	(9,301)	1,522,805
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	7,871
Transfers in	-	-	-	-	-	700,000
Transfers out	-	-	-	-	-	(700,000)
Total other financing sources (uses)	-	-	-	-	-	7,871
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,270	2,482	-	-	(9,301)	1,530,676
Cash and investments - ending	\$ 24,603	\$ -	\$ -	\$ 6,311	\$ 6,962	\$ 11,942,275

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 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 2,175,648	\$ 583,527	\$ 135,504	\$ 1,182,411	\$ 1,028,247	\$ 176,228	\$ 1,641,490
Receipts:							
Local sources	164,986	1,108,115	329,636	1,107,977	1,151,197	-	-
Intermediate sources	266	-	-	-	-	-	-
State sources	8,392,114	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	8,313	-	-	12,354	2,436	-	-
Total receipts	8,565,679	1,108,115	329,636	1,120,331	1,153,633	-	-
Disbursements:							
Instruction	5,979,847	-	-	-	-	-	-
Support services	2,628,770	-	-	525,329	1,088,707	-	-
Noninstructional services	237,215	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	591,988	-	-	646
Debt service	-	953,025	283,060	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	8,845,832	953,025	283,060	1,117,317	1,088,707	-	646
Excess (deficiency) of receipts over disbursements	(280,153)	155,090	46,576	3,014	64,926	-	(646)
Other financing sources (uses):							
Proceeds of long-term debt	1,185	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,185	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(278,968)	155,090	46,576	3,014	64,926	-	(646)
Cash and investments - ending	\$ 1,896,680	\$ 738,617	\$ 182,080	\$ 1,185,425	\$ 1,093,173	\$ 176,228	\$ 1,640,844

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	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Self- Insurance	Judgments	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 340,998	\$ 386,382	\$ 212,050	\$ 4,000,929	\$ -	\$ 11,301	\$ 983
Receipts:							
Local sources	-	223,099	123,908	1,626,286	170	-	-
Intermediate sources	-	-	-	-	-	150	-
State sources	-	10,412	-	-	-	-	3,634
Federal sources	-	457,779	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	691,290	123,908	1,626,286	170	150	3,634
Disbursements:							
Instruction	-	-	-	-	-	-	3,702
Support services	19,500	-	107,316	328,205	170	-	-
Noninstructional services	-	619,976	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	9,624	-	-	-
Total disbursements	19,500	619,976	107,316	337,829	170	-	3,702
Excess (deficiency) of receipts over disbursements	(19,500)	71,314	16,592	1,288,457	-	150	(68)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,500)	71,314	16,592	1,288,457	-	150	(68)
Cash and investments - ending	\$ 321,498	\$ 457,696	\$ 228,642	\$ 5,289,386	\$ -	\$ 11,451	\$ 915

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	School Intervention and Career Counseling	ASAI Grant 11-12	Instructional Support	United Way Kindergarten Program 15-16	Adult and Continuing Education FY 13-14	Adult and Continuing Education FY 14-15
Cash and investments - beginning	\$ 3,500	\$ 456	\$ 3,053	\$ -	\$ -	\$ -
Receipts:						
Local sources	-	-	-	4,934	-	13,849
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	4,934	-	13,849
Disbursements:						
Instruction	-	-	-	5,131	-	10,468
Support services	-	-	-	-	-	3,381
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	-	5,131	-	13,849
Excess (deficiency) of receipts over disbursements	-	-	-	(197)	-	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	3,053	-	-
Transfers out	-	-	(3,053)	-	-	-
Total other financing sources (uses)	-	-	(3,053)	3,053	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(3,053)	2,856	-	-
Cash and investments - ending	\$ 3,500	\$ 456	\$ -	\$ 2,856	\$ -	\$ -

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	Adult and Continuing Education FY 15-16	Construction, Remodeling, and Equipping Buildings	Miscellaneous Programs	Duke Energy Foundation Grant	Books for Kids Donation	Trabant Foundation - Warrior Bus
Cash and investments - beginning	\$ -	\$ 1,500	\$ 17,413	\$ 1,850	\$ 47	\$ 26,308
Receipts:						
Local sources	22,605	-	5,987	-	-	40,409
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>22,605</u>	<u>-</u>	<u>5,987</u>	<u>-</u>	<u>-</u>	<u>40,409</u>
Disbursements:						
Instruction	22,605	-	3,408	-	-	-
Support services	-	25	2,500	1,850	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>22,605</u>	<u>25</u>	<u>5,908</u>	<u>1,850</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(25)</u>	<u>79</u>	<u>(1,850)</u>	<u>-</u>	<u>40,409</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>-</u>	<u>(25)</u>	<u>79</u>	<u>(1,850)</u>	<u>-</u>	<u>40,409</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ 17,492</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 66,717</u>

NORTH 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, 2016

	Kids First - Goodwill Prom	Formative Assessment	High Ability Grant FY 13-14	High Ability Grant FY 14-15	High Ability Grant FY 15-16	Secured Schools Safety Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 1,736	\$ -	\$ (28,758)
Receipts:						
Local sources	11,060	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	15,680	-	-	30,819	33,200
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>11,060</u>	<u>15,680</u>	<u>-</u>	<u>-</u>	<u>30,819</u>	<u>33,200</u>
Disbursements:						
Instruction	-	-	-	-	16,181	-
Support services	4,302	-	-	1,736	8,734	59,019
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	290
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>4,302</u>	<u>-</u>	<u>-</u>	<u>1,736</u>	<u>24,915</u>	<u>59,309</u>
Excess (deficiency) of receipts over disbursements	<u>6,758</u>	<u>15,680</u>	<u>-</u>	<u>(1,736)</u>	<u>5,904</u>	<u>(26,109)</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>6,758</u>	<u>15,680</u>	<u>-</u>	<u>(1,736)</u>	<u>5,904</u>	<u>(26,109)</u>
Cash and investments - ending	<u>\$ 6,758</u>	<u>\$ 15,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,904</u>	<u>\$ (54,867)</u>

NORTH 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, 2016

	School Technology	Pepsi-Cola Rebates	Title I - FY 13-14	Title I - FY 14-15	Title I - FY 15-16	Special Education Handicap Grant FY 12-13
Cash and investments - beginning	\$ 15,812	\$ 33,854	\$ -	\$ (24,396)	\$ -	\$ -
Receipts:						
Local sources	4,404	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	26,669	-	-	-	-
Federal sources	-	-	-	90,363	183,309	-
Other receipts	-	-	-	-	-	-
Total receipts	4,404	26,669	-	90,363	183,309	-
Disbursements:						
Instruction	-	6,446	-	65,967	220,349	-
Support services	-	704	-	-	1,115	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	7,150	-	65,967	221,464	-
Excess (deficiency) of receipts over disbursements	4,404	19,519	-	24,396	(38,155)	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,404	19,519	-	24,396	(38,155)	-
Cash and investments - ending	\$ 20,216	\$ 53,373	\$ -	\$ -	\$ (38,155)	\$ -

NORTH 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, 2016

	Special Education Grant FY 13-14	Technical Assistance, Special Education	Special Education Grant FY 14-15	Title II, Part A, FY 13	Title II, Part A, FY 14-16	Title II FY 15-16
Cash and investments - beginning	\$ -	\$ -	\$ (18,053)	\$ -	\$ (5,621)	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	209,807	-	22,055	33,093
Other receipts	-	-	-	-	-	-
Total receipts	-	-	209,807	-	22,055	33,093
Disbursements:						
Instruction	-	-	208,097	-	16,434	43,537
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	208,097	-	16,434	43,537
Excess (deficiency) of receipts over disbursements	-	-	1,710	-	5,621	(10,444)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	1,710	-	5,621	(10,444)
Cash and investments - ending	\$ -	\$ -	\$ (16,343)	\$ -	\$ -	\$ (10,444)

NORTH 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, 2016

	Rural and Low Income Schools FY 10	Rural and Low Income Schools FY 12-14	Rural and Low Income Schools FY 13	Prepaid Food	Payroll Clearing	Totals
Cash and investments - beginning	\$ 24,603	\$ -	\$ -	\$ 6,311	\$ 6,962	\$ 11,942,275
Receipts:						
Local sources	-	-	-	-	-	5,938,622
Intermediate sources	-	-	-	-	-	416
State sources	-	-	-	-	-	8,512,528
Federal sources	-	-	26,193	-	-	1,022,599
Other receipts	-	-	-	206,248	1,956,983	2,186,334
Total receipts	-	-	26,193	206,248	1,956,983	17,660,499
Disbursements:						
Instruction	-	-	-	-	-	6,602,172
Support services	11,717	-	26,193	-	-	4,819,273
Noninstructional services	-	-	-	-	-	857,191
Facilities acquisition and construction	-	-	-	-	-	592,924
Debt service	-	-	-	-	-	1,236,085
Nonprogrammed charges	-	-	-	212,640	1,950,285	2,172,549
Total disbursements	11,717	-	26,193	212,640	1,950,285	16,280,194
Excess (deficiency) of receipts over disbursements	(11,717)	-	-	(6,392)	6,698	1,380,305
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	1,185
Transfers in	-	-	-	-	-	3,053
Transfers out	-	-	-	-	-	(3,053)
Total other financing sources (uses)	-	-	-	-	-	1,185
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,717)	-	-	(6,392)	6,698	1,381,490
Cash and investments - ending	\$ 12,886	\$ -	\$ -	\$ (81)	\$ 13,660	\$ 13,323,765

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NORTH KNOX 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>\$ 176,162</u>	<u>\$ 119,808</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
North Knox School Building Corporation	QZAB 2-School Renovations	\$ 114,722	12/20/2003	6/30/2020
North Knox School Building Corporation	QZAB 3-School Renovations	119,830	6/30/2007	6/30/2021
North Knox School Building Corporation	QZAB 4-Renovations and Equipping Projects	132,000	7/15/2008	7/15/2022
North Knox School Building Corporation	QZAB 5-School Renovations	200,801	6/30/2013	12/31/2026
North Knox School Building Corporation	First Mortgage Bonds-Construction of Gym and Renovations to NK Jr. Sr. HS	<u>448,000</u>	9/18/2013	12/31/2028
Total governmental activities		<u>1,015,353</u>		
Total of annual lease payments		<u>\$ 1,015,353</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	School Pension Debt	<u>\$ 855,000</u>	<u>\$ 278,826</u>

NORTH KNOX 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.

	Original Ending Balance
Governmental activities:	
Land	\$ 337,729
Buildings	14,109,672
Improvements other than buildings	324,561
Machinery, equipment, and vehicles	<u>1,786,496</u>
Total governmental activities	<u>16,558,458</u>
Total capital assets	<u>\$ 16,558,458</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 NORTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the North 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, 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.

Opinion on Each Major Federal Program

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 major federal programs for the period of July 1, 2014 to June 30, 2016.

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

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 2016-002 and 2016-003. 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, and 2016-003 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.

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

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

April 9, 2018

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.

NORTH KNOX 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 14-15	\$ -	\$ 110,008	\$ -	\$ -
School Breakfast Program			FY 15-16	-	-	-	109,323
Total - School Breakfast Program				-	110,008	-	109,323
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY 14-15	-	333,745	-	-
National School Lunch Program			FY 15-16	-	-	-	348,456
National School Lunch Program - Commodities			FY 14-15	-	37,970	-	-
National School Lunch Program - Commodities			FY 15-16	-	-	-	39,806
Total - National School Lunch Program				-	371,715	-	388,262
Total - Child Nutrition Cluster				-	481,723	-	497,585
Total - Department of Agriculture				-	481,723	-	497,585
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
Special Education Grant 2012-13			14213-034-PN01	-	59	-	-
Special Education Grant 2014			14214-034-PN01	-	147,218	-	-
Special Education Grant 2014 - VCSC Allocation			14214-034-PN01	-	-	-	11,580
Special Education Grant 2015			14215-034-PN01	-	-	-	209,807
Special Education Grant 2015 - VCSC Allocation			14215-034-PN01	-	-	-	19,386
Technical Assistance Special Education Grant			99914-034-TA01	-	1,006	-	-
Total - Special Education_Grants to States				-	148,283	-	240,773

NORTH KNOX 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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Pre-School 13-14			45713-034-PN01	-	9,023	-	-
Pre-School 14-15			45714-034-PN01	-	11,473	-	8,211
Pre-School 15-16			45715-034-PN01	-	-	-	11,961
Total - Special Education_Preschool Grants				-	20,496	-	20,172
Total - Special Education Cluster (IDEA)				-	168,779	-	260,945
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2013-14			S010A120014	-	139,791	-	-
Title I 2014-15			S010A140014	-	196,474	-	90,363
Title I 2015-16			S010A150014	-	-	-	183,309
Total - Title I Grants to Local Educational Agencies				-	336,265	-	273,672
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income 12-14			S358B120014	-	24,417	-	-
FY13 Rural and Low Income			S358B130014	-	-	-	26,193
Total - Rural Education				-	24,417	-	26,193
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title IIA FFY 2013 Improving Teacher Quality			S367A110013	-	29,906	-	-
Title II 2014-16 Improving Teacher Quality			S367A140013	-	30,918	-	27,677
2015-17 Improving Teacher Quality			S367A150013	-	-	-	33,093
Total - Improving Teacher Quality State Grants				-	60,824	-	60,770
Total - Department of Education				-	590,285	-	621,580
Total federal awards expended				\$ -	\$ 1,072,008	\$ -	\$ 1,119,165

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

NORTH 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, 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.

Note 3. *Knox County Special Education Cooperative*

The School Corporation is a member of the Knox County Special Education Cooperative (Cooperative). The Cooperative operates the Special Education Preschool Program for the School Corporation. As a result, some activity for the Special Education Cluster that is presented in the Schedule of Expenditures of Federal Awards is not presented as receipts and disbursements in the financial statement.

NORTH 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 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:	Unmodified
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 Special Education Cluster (IDEA) 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
--	----

Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-001

Subject: Child Nutrition Cluster - Reporting and 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 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

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 and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

There was no segregation of duties, such as an oversight, review, or approval process or other compensating control over the verifications performed or the preparation of the School Food Authority (SFA) Verification Collections Reports that were filed. The School Lunch Director was in charge of all duties related to verification and reporting.

Context

The lack of controls was a systemic issue, which occurred 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). . . ."

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

Cause

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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

Subject: Child Nutrition Cluster - Equipment and Real Property Management
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 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

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 did not have controls in place to ensure that assets purchased for the food service programs were properly inventoried and included in the capital assets records of the School Corporation.

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

Context

The lack of controls and noncompliance were systemic problems 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). . . ."

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) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

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:

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

- (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.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured that the requirements related to the Equipment and Real Property Management compliance requirement were being met.

Effect

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the grant agreement and 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 to ensure compliance and 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.

FINDING 2016-003

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

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): S010A120014, S010A140014,
S010A150014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Other Matters

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

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 Special Tests and Provisions - Assessment System Security compliance requirement.

An effective internal control system was not in place to ensure that a written test security policy, describing the School Corporation's policies and procedures for ensuring the security of assessment testing, was developed and implemented.

The School Corporation had a written test security policy that detailed who was responsible for each area of assessment test security and integrity. However, it did not provide a description of the procedures or plan that were in place to meet the assessment system security requirements.

Context

This was a systemic issue 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). . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 9, Part D states in part:

"Locally developed written Test Security Policies should include, but not be limited to, the following:

A description of the entity's procedures/plan . . ."

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

Cause

Management of the School Corporation had not established an effective internal control system that would have ensured that the requirements over the Special Tests and Provisions - Assessment System Security were met.

Effect

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the grant agreement and 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 to ensure compliance with the Special Tests and Provisions - Assessment System Security 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.

NORTH KNOX SCHOOL CORPORATION

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Ethan Singleton
Technology Coordinator

Kevin Curtis
Director of Buildings & Grounds

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003 – ALLOWABLE COSTS

Fiscal year in which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Terri Roesler
Contact Phone Number: 812-735-4434

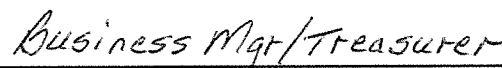
Status of Audit Finding:

The Treasurer and Payroll Clerk have developed a strong line of communication. A check and balance system has been utilized to ensure expenditures are paid correctly from the Title I grant and within the obligated period of time for the grant. The Treasurer reviews and initials the payroll report prior to payroll checks being processed. Once checks are written, payroll reports are provided to the Treasurer who verifies the totals match correctly before posting to the accounting software.

All individuals paid with Title I funds are listed on the Semi-Annual Certification Activity Report for Employees Working on a Single Cost Objective. The Principal/Title I Director signs these reports. If he is unavailable the Superintendent signs the report in his absence.



Signature



Title



Date

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Technology Coordinator

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-004 – REPORTING

Fiscal year in which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Terri Roesler
Contact Phone Number: 812-735-4434

Status of Audit Finding:

The Treasurer prepares monthly Title I expenditure reports. Accounting documents are attached to the expenditure report detailing the expenditures for that time period and forwarded to the Superintendent for his review and signature. The same procedure is used when submitting the Title I final report.

Terri Roesler

Signature

Business Mgt / Treasurer

Title

2/15/18

Date

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS – PARTICIPATION OF PRIVATE SCHOOL CHILDREN

Fiscal year in which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Terri Roesler
Contact Phone Number: 812-735-4434

Status of Audit Finding:

During part of the current grant period, consultation was not made with the parochial school located in Vincennes which is outside of our attendance district. The basis for not consulting with the parochial school was from an email received from Katie Dillon, IDOE Title I Grant Specialist, following our prior audit.

In that email she stated that "Finding 2014-005 was removed from the IDOE follow up memo as no finding should have been issued. North Knox did not break any Title I regulation by not consulting with a non-public school because at the time of the visit, there were no North Knox students in attendance at a non-public school, which resides outside of the North Knox district boundaries."

During the 2016-17 school year, we were notified by the Title I office that a North Knox student was attending the parochial school. The Treasurer contacted the principal of Flaget Elementary who refused services for the student for the remainder of that school year and signed the required waiver. We have since made contact with the parochial school each year to consult with the principal if any North Knox students are in attendance.



Signature

Business Mgt/Treasurer

Title

2/21/18

Date

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-006 – INTERNAL CONTROLS OVER THE SPECIAL EDUCATION CLUSTER

Fiscal year in which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Terri Roesler
Contact Phone Number: 812-735-4434

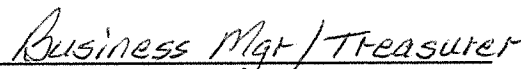
Status of Audit Finding:

The Treasurer and Payroll Clerk have developed a strong line of communication. A check and balance system has been utilized to ensure expenditures are paid correctly from the Special Education grant and within the obligated period of time for the grant. The Treasurer reviews and initials the payroll report prior to payroll checks being processed. Once checks are written, payroll reports are provided to the Treasurer who verifies the totals match correctly before posting to the accounting software.

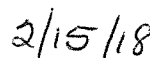
The Treasurer prepares monthly Special Education expenditure reports. Accounting documents are attached to the expenditure report detailing the expenditures for that time period and forwarded to the Superintendent for his review and signature. The same procedure is also used when submitting the final report.



Signature



Title



Date

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Kevin Curtis
Director of Buildings & Grounds

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-007 – INTERNAL CONTROLS OVER THE EDUCATION JOBS FUND

Fiscal year in which the finding initially occurred: 2012-13
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Terri Roesler
Contact Phone Number: 812-735-4434

Status of Audit Finding:

The Education Jobs Fund grant is no longer available. However, the Treasurer and Payroll Clerk have developed a strong line of communication whereby a check and balance system has been utilized to ensure expenditures are paid correctly from all grants and within the obligated period of time for the grant. The Treasurer reviews and initials the payroll report prior to payroll checks being processed. Once checks are written, payroll reports are provided to the Treasurer who verifies the totals match correctly before posting to the accounting software.



Signature

Business Mgt / Treasurer

Title

2/15/18

Date

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action:

The Food Services Supervisor verifies the NKSC Free and Reduced Price Applications (NSLP). New procedures have been put into place whereby the Food Service Director reviews and initials a percentage of the Free and Reduced Price Applications each year. The Building Principal or Corporation Treasurer will review the verifications and sign/initial all School Food Authority (SFA) Verification Collections Reports prior to their submission.

Anticipated Completion Date:

Effective immediately.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action:

An inventory list of food service equipment was developed by the Corporation Treasurer and will be updated as new equipment is purchased. The Food Service Supervisor also maintains an inventory list for each kitchen. In addition, the Corporation Treasurer and Food Service Supervisor will review inventory sheets once a year to check for accuracy.

Anticipated Completion Date:

The Corporation Treasurer developed a Capital Asset list March 2018 of food service equipment. As additional equipment is purchased, those items will be included on the inventory list.

FINDING 2016-003

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Views of Responsible Official:


We concur with the finding.

Description of Corrective Action:

The Curriculum Director will develop procedural guidelines to ensure the security of assessment testing. These procedures will be in addition to the existing Neola policy.

Anticipated Completion Date:

The Curriculum Director plans to have procedural guidelines development prior to the end of the 2017-18 school year. Once she has completed the guidelines, they will be presented to the Board of School Trustees for approval. The plan is to have the procedures in place prior to the start of the 2018-19 school year.




 Dr. Darrel Bobe, Superintendent

 Superintendent

 Title

 3/30/18

 Date



 Terri Roesler, Treasurer

 Business Mgt/Treasurer

 Title

 3/29/18

 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/>.