

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

COVINGTON COMMUNITY SCHOOL CORPORATION
FOUNTAIN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
06/07/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-17
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis	20-31
Schedule of Payables and Receivables	33
Schedule of Leases and Debt	34
Schedule of Capital Assets	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	38-39
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	43
Notes to Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45
Other Reports	46

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Trudie J. Dillon	07-01-12 to 06-30-18
Superintendent of Schools	T. Kirk Booe (Vacant) Dr. Bruce Hatton	07-01-12 to 09-08-17 09-09-17 to 09-10-17 09-11-17 to 06-30-18
President of the School Board	Randy Randles Jill Coffing Carolyn Lloyd	01-01-13 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE COVINGTON COMMUNITY SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 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

May 2, 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 COVINGTON COMMUNITY SCHOOL
CORPORATION, FOUNTAIN 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 Covington Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated May 2, 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

May 2, 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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COVINGTON COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 1,789,091	\$ 5,602,792	\$ 5,452,306	\$ (632,753)	\$ 1,306,824	\$ 5,654,726	\$ 5,561,403	\$ -	\$ 1,400,147
Debt Service	562,755	1,175,182	1,146,561	(8,495)	582,881	1,201,916	1,116,838	-	667,959
Capital Projects	288,152	776,730	695,121	95,186	464,947	779,190	731,429	(78,763)	433,945
School Transportation	355,365	451,485	405,993	-	400,857	443,386	399,806	(140,000)	304,437
School Bus Replacement	161,394	167,117	134,839	-	193,672	171,573	237,812	-	127,433
Rainy Day	1,079,039	-	-	-	1,079,039	21,818	-	240,000	1,340,857
Post-Retirement/Severance Future Benefits	-	-	29,075	632,753	603,678	-	-	-	603,678
Construction	-	-	519,470	752,396	232,926	-	173,967	-	58,959
School Lunch	104,706	465,685	447,959	-	122,432	467,968	449,114	-	141,286
Textbook Rental	120,534	106,446	40,909	8,495	194,566	118,841	77,294	(5,280)	230,833
Self-Insurance	-	-	-	-	-	-	4,863	-	417
Joint Services and Supply - Special Education Cooperative	11,458	-	8,084	(3,374)	-	180,937	179,329	9,455	11,063
HS MIMH/MOMH 14-15	-	101,701	93,671	3,374	11,404	-	7,941	(3,463)	-
MS MIMH/MOMH 13-14	14,782	-	8,497	(6,285)	-	-	-	-	-
MS MIMH/MOMH 14-15	-	76,603	78,294	6,285	4,594	9,443	8,045	(5,992)	-
Speech Service to Preschool 13-14	2,492	-	1,805	(687)	-	10,388	11,661	3,893	2,620
Speech Service to Preschool 14-15	-	13,594	11,731	687	2,550	3,463	2,120	(3,893)	-
Joint Services and Supply - Area Vocational School	9,247	9,500	14,177	(4,570)	-	-	-	-	-
Law Enforcement 14-15	-	31,592	27,644	4,570	8,518	-	4,782	(3,736)	-
Law Enforcement 15-16	-	-	-	-	-	40,291	37,942	3,736	6,085
TCAM 14-15	-	97,971	90,792	12,631	19,810	-	5,402	(14,408)	-
TCAM 13-14	21,396	-	8,765	(12,631)	-	100,501	106,000	14,408	8,909
Educational License Plates	1,466	75	-	-	1,541	19	-	-	1,560
G/T High Ability 14-15	-	28,131	25,599	-	2,532	-	2,532	-	-
G/T High Ability 13-14	502	-	502	-	-	28,979	28,979	-	-
Step Ahead	-	500	500	-	-	-	-	-	-
Payroll Clearing	-	1,293,951	1,293,951	-	-	1,347,290	1,347,290	-	-
Secured Schools Safety Grant	-	13,663	-	(13,663)	-	21,237	-	(21,237)	-
School Technology	1,572	5,931	5,879	-	1,624	6,564	6,485	-	1,703
Prepaid Food School Lunch	-	18,343	19,858	-	(1,515)	231,425	231,996	-	(2,086)
Excess PTRC Distributions	1,901	-	-	-	1,901	-	-	-	1,901
Title I 14-15	-	96,045	100,313	-	(4,268)	12,679	8,411	-	-
Title I 13-14	(8,493)	18,260	9,767	-	-	104,234	107,478	-	(3,244)
Tech Assistance for Sp Ed	-	100	100	-	-	4,303	4,303	-	-
IDEA	(10,610)	203,936	204,910	-	(11,584)	203,003	202,687	-	(11,268)
Preschool Handicap	-	6,712	6,712	-	-	6,728	6,728	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 14-15	-	32,812	32,812	-	-	-	-	-	-
Improving Teacher Quality, No Child Left, Title II, Part A 15-16	-	-	-	-	-	33,094	33,094	-	-
Totals	\$ 4,506,749	\$ 10,794,857	\$ 10,916,596	\$ 833,919	\$ 5,218,929	\$ 11,203,996	\$ 11,095,731	\$ -	\$ 5,327,194

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

COVINGTON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

COVINGTON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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.

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.

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

COVINGTON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

COVINGTON COMMUNITY 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.

COVINGTON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. Most are the result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016. An approved transfer of funds was not made in time to cover the deficit balances in the Prepaid Food School Lunch fund.

Note 8. Holding Corporation

The School Corporation entered into capital leases with the Covington Multi 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 ended June 30, 2015 and 2016, totaled \$574,500 and \$573,500, respectively.

COVINGTON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Subsequent Events

On October 18, 2017, the School Corporation issued a General Obligation (G.O.) Bond in the amount of \$500,000 to fund school construction projects.

On March 20, 2018, the School Corporation issued a Notice of Intent to issue a General Obligation (G.O.) Bond in the amount of \$995,000 to fund school construction projects. The bond is expected to be issued late in 2018.

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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.

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,789,091	\$ 562,755	\$ 288,152	\$ 355,365	\$ 161,394	\$ 1,079,039	\$ -
Receipts:							
Local sources	11,534	1,175,182	771,114	413,262	167,117	-	-
Intermediate sources	283	-	-	-	-	-	-
State sources	5,580,620	-	-	-	-	-	-
Federal sources	-	-	-	38,223	-	-	-
Other receipts	10,355	-	5,616	-	-	-	-
Total receipts	5,602,792	1,175,182	776,730	451,485	167,117	-	-
Disbursements:							
Instruction	3,552,203	-	-	-	-	-	29,075
Support services	1,733,373	-	483,162	405,993	134,839	-	-
Noninstructional services	166,730	-	-	-	-	-	-
Facilities acquisition and construction	-	-	211,959	-	-	-	-
Debt service	-	1,146,561	-	-	-	-	-
Total disbursements	5,452,306	1,146,561	695,121	405,993	134,839	-	29,075
Excess (deficiency) of receipts over disbursements	150,486	28,621	81,609	45,492	32,278	-	(29,075)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	25	-	95,186	-	-	-	632,753
Transfers out	(632,778)	(8,495)	-	-	-	-	-
Total other financing sources (uses)	(632,753)	(8,495)	95,186	-	-	-	632,753
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(482,267)	20,126	176,795	45,492	32,278	-	603,678
Cash and investments - ending	\$ 1,306,824	\$ 582,881	\$ 464,947	\$ 400,857	\$ 193,672	\$ 1,079,039	\$ 603,678

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

	Construction	School Lunch	Textbook Rental	Self-Insurance	Joint Services and Supply - Special Education Cooperative	HS MIMH/MOMH 14-15	MS MIMH/MOMH 13-14
Cash and investments - beginning	\$ -	\$ 104,706	\$ 120,534	\$ -	\$ 11,458	\$ -	\$ 14,782
Receipts:							
Local sources	-	234,634	75,744	-	-	101,701	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	5,871	30,052	-	-	-	-
Federal sources	-	225,180	-	-	-	-	-
Other receipts	-	-	650	-	-	-	-
Total receipts	-	465,685	106,446	-	-	101,701	-
Disbursements:							
Instruction	-	-	-	-	8,084	93,671	8,497
Support services	-	129	40,909	-	-	-	-
Noninstructional services	-	447,610	-	-	-	-	-
Facilities acquisition and construction	519,470	220	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	519,470	447,959	40,909	-	8,084	93,671	8,497
Excess (deficiency) of receipts over disbursements	(519,470)	17,726	65,537	-	(8,084)	8,030	(8,497)
Other financing sources (uses):							
Proceeds of long-term debt	833,919	-	-	-	-	-	-
Transfers in	-	-	8,495	-	-	3,374	-
Transfers out	(81,523)	-	-	-	(3,374)	-	(6,285)
Total other financing sources (uses)	752,396	-	8,495	-	(3,374)	3,374	(6,285)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	232,926	17,726	74,032	-	(11,458)	11,404	(14,782)
Cash and investments - ending	\$ 232,926	\$ 122,432	\$ 194,566	\$ -	\$ -	\$ 11,404	\$ -

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

	MS MIMH/ MOMH 14-15	Speech Service to Preschool 13-14	Speech Service to Preschool 14-15	Joint Services and Supply - Area Vocational School	Law Enforcement 14-15	Law Enforcement 15-16	TCAM 14-15
Cash and investments - beginning	\$ -	\$ 2,492	\$ -	\$ 9,247	\$ -	\$ -	\$ -
Receipts:							
Local sources	76,603	-	13,594	-	31,592	-	97,971
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	9,500	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>76,603</u>	<u>-</u>	<u>13,594</u>	<u>9,500</u>	<u>31,592</u>	<u>-</u>	<u>97,971</u>
Disbursements:							
Instruction	78,294	1,805	11,731	14,177	27,644	-	79,955
Support services	-	-	-	-	-	-	10,837
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	<u>78,294</u>	<u>1,805</u>	<u>11,731</u>	<u>14,177</u>	<u>27,644</u>	<u>-</u>	<u>90,792</u>
Excess (deficiency) of receipts over disbursements	<u>(1,691)</u>	<u>(1,805)</u>	<u>1,863</u>	<u>(4,677)</u>	<u>3,948</u>	<u>-</u>	<u>7,179</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	6,285	-	687	-	4,570	-	12,631
Transfers out	-	(687)	-	(4,570)	-	-	-
Total other financing sources (uses)	<u>6,285</u>	<u>(687)</u>	<u>687</u>	<u>(4,570)</u>	<u>4,570</u>	<u>-</u>	<u>12,631</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,594</u>	<u>(2,492)</u>	<u>2,550</u>	<u>(9,247)</u>	<u>8,518</u>	<u>-</u>	<u>19,810</u>
Cash and investments - ending	<u>\$ 4,594</u>	<u>\$ -</u>	<u>\$ 2,550</u>	<u>\$ -</u>	<u>\$ 8,518</u>	<u>\$ -</u>	<u>\$ 19,810</u>

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

	TCAM 13-14	Educational License Plates	G/T High Ability 14-15	G/T High Ability 13-14	Step Ahead	Payroll Clearing
Cash and investments - beginning	\$ 21,396	\$ 1,466	\$ -	\$ 502	\$ -	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	75	-	-	-	-
State sources	-	-	28,131	-	500	-
Federal sources	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,293,951
Total receipts	-	75	28,131	-	500	1,293,951
Disbursements:						
Instruction	7,657	-	25,599	502	-	-
Support services	1,108	-	-	-	500	1,293,951
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	8,765	-	25,599	502	500	1,293,951
Excess (deficiency) of receipts over disbursements	(8,765)	75	2,532	(502)	-	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(12,631)	-	-	-	-	-
Total other financing sources (uses)	(12,631)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(21,396)	75	2,532	(502)	-	-
Cash and investments - ending	\$ -	\$ 1,541	\$ 2,532	\$ -	\$ -	\$ -

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

	Secured Schools Safety Grant	School Technology	Prepaid Food School Lunch	Excess PTRC Distributions	Title I 14-15	Title I 13-14
Cash and investments - beginning	\$ -	\$ 1,572	\$ -	\$ 1,901	\$ -	\$ (8,493)
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	13,663	5,931	-	-	-	-
Federal sources	-	-	-	-	96,045	18,260
Other receipts	-	-	18,343	-	-	-
Total receipts	13,663	5,931	18,343	-	96,045	18,260
Disbursements:						
Instruction	-	-	-	-	100,313	8,475
Support services	-	5,879	19,858	-	-	1,292
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	-	5,879	19,858	-	100,313	9,767
Excess (deficiency) of receipts over disbursements	13,663	52	(1,515)	-	(4,268)	8,493
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(13,663)	-	-	-	-	-
Total other financing sources (uses)	(13,663)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	52	(1,515)	-	(4,268)	8,493
Cash and investments - ending	\$ -	\$ 1,624	\$ (1,515)	\$ 1,901	\$ (4,268)	\$ -

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

	Tech Assistance for Sp Ed	IDEA	Preschool Handicap	Improving Teacher Quality, No Child Left, Title II, Part A 14-15	Improving Teacher Quality, No Child Left, Title II, Part A 15-16	Totals
Cash and investments - beginning	\$ -	\$ (10,610)	\$ -	\$ -	\$ -	\$ 4,506,749
Receipts:						
Local sources	-	-	-	-	-	3,170,048
Intermediate sources	-	-	-	-	-	358
State sources	-	-	-	-	-	5,664,768
Federal sources	100	203,936	6,712	32,812	-	630,768
Other receipts	-	-	-	-	-	1,328,915
Total receipts	100	203,936	6,712	32,812	-	10,794,857
Disbursements:						
Instruction	100	204,910	6,712	-	-	4,259,404
Support services	-	-	-	32,812	-	4,164,642
Noninstructional services	-	-	-	-	-	614,340
Facilities acquisition and construction	-	-	-	-	-	731,649
Debt service	-	-	-	-	-	1,146,561
Total disbursements	100	204,910	6,712	32,812	-	10,916,596
Excess (deficiency) of receipts over disbursements	-	(974)	-	-	-	(121,739)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	833,919
Transfers in	-	-	-	-	-	764,006
Transfers out	-	-	-	-	-	(764,006)
Total other financing sources (uses)	-	-	-	-	-	833,919
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(974)	-	-	-	712,180
Cash and investments - ending	\$ -	\$ (11,584)	\$ -	\$ -	\$ -	\$ 5,218,929

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 1,306,824	\$ 582,881	\$ 464,947	\$ 400,857	\$ 193,672	\$ 1,079,039	\$ 603,678
Receipts:							
Local sources	10,101	1,201,916	776,690	420,239	171,573	21,818	-
Intermediate sources	264	-	-	-	-	-	-
State sources	5,633,075	-	-	-	-	-	-
Federal sources	-	-	-	23,147	-	-	-
Other receipts	11,286	-	2,500	-	-	-	-
Total receipts	5,654,726	1,201,916	779,190	443,386	171,573	21,818	-
Disbursements:							
Instruction	3,600,054	-	-	-	-	-	-
Support services	1,793,123	-	594,163	399,806	237,812	-	-
Noninstructional services	168,226	-	-	-	-	-	-
Facilities acquisition and construction	-	-	137,266	-	-	-	-
Debt service	-	1,116,838	-	-	-	-	-
Total disbursements	5,561,403	1,116,838	731,429	399,806	237,812	-	-
Excess (deficiency) of receipts over disbursements	93,323	85,078	47,761	43,580	(66,239)	21,818	-
Other financing sources (uses):							
Transfers in	7,753	-	21,237	-	-	240,000	-
Transfers out	(7,753)	-	(100,000)	(140,000)	-	-	-
Total other financing sources (uses)	-	-	(78,763)	(140,000)	-	240,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,323	85,078	(31,002)	(96,420)	(66,239)	261,818	-
Cash and investments - ending	\$ 1,400,147	\$ 667,959	\$ 433,945	\$ 304,437	\$ 127,433	\$ 1,340,857	\$ 603,678

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

	Construction	School Lunch	Textbook Rental	Self-Insurance	Joint Services and Supply - Special Education Cooperative	HS MIMH/MOMH 14-15	MS MIMH/MOMH 13-14
Cash and investments - beginning	\$ 232,926	\$ 122,432	\$ 194,566	\$ -	\$ -	\$ 11,404	\$ -
Receipts:							
Local sources	-	235,481	89,953	-	180,937	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	5,964	28,088	-	-	-	-
Federal sources	-	226,523	-	-	-	-	-
Other receipts	-	-	800	-	-	-	-
Total receipts	-	467,968	118,841	-	180,937	-	-
Disbursements:							
Instruction	-	-	-	-	179,329	7,941	-
Support services	-	-	77,294	4,863	-	-	-
Noninstructional services	-	449,114	-	-	-	-	-
Facilities acquisition and construction	173,967	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	173,967	449,114	77,294	4,863	179,329	7,941	-
Excess (deficiency) of receipts over disbursements	(173,967)	18,854	41,547	(4,863)	1,608	(7,941)	-
Other financing sources (uses):							
Transfers in	-	-	-	5,280	9,455	-	-
Transfers out	-	-	(5,280)	-	-	(3,463)	-
Total other financing sources (uses)	-	-	(5,280)	5,280	9,455	(3,463)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(173,967)	18,854	36,267	417	11,063	(11,404)	-
Cash and investments - ending	\$ 58,959	\$ 141,286	\$ 230,833	\$ 417	\$ 11,063	\$ -	\$ -

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

	MS MIMH/ MOMH 14-15	Speech Service to Preschool 13-14	Speech Service to Preschool 14-15	Joint Services and Supply - Area Vocational School	Law Enforcement 14-15	Law Enforcement 15-16	TCAM 14-15
Cash and investments - beginning	\$ 4,594	\$ -	\$ 2,550	\$ -	\$ 8,518	\$ -	\$ 19,810
Receipts:							
Local sources	9,443	10,388	3,463	-	-	32,602	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	7,000	-
Other receipts	-	-	-	-	-	689	-
Total receipts	9,443	10,388	3,463	-	-	40,291	-
Disbursements:							
Instruction	8,045	11,661	2,120	-	4,782	37,942	4,337
Support services	-	-	-	-	-	-	1,065
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total disbursements	8,045	11,661	2,120	-	4,782	37,942	5,402
Excess (deficiency) of receipts over disbursements	1,398	(1,273)	1,343	-	(4,782)	2,349	(5,402)
Other financing sources (uses):							
Transfers in	-	3,893	-	-	-	3,736	-
Transfers out	(5,992)	-	(3,893)	-	(3,736)	-	(14,408)
Total other financing sources (uses)	(5,992)	3,893	(3,893)	-	(3,736)	3,736	(14,408)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,594)	2,620	(2,550)	-	(8,518)	6,085	(19,810)
Cash and investments - ending	\$ -	\$ 2,620	\$ -	\$ -	\$ -	\$ 6,085	\$ -

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

	TCAM 13-14	Educational License Plates	G/T High Ability 14-15	G/T High Ability 13-14	Step Ahead	Payroll Clearing
Cash and investments - beginning	\$ -	\$ 1,541	\$ 2,532	\$ -	\$ -	\$ -
Receipts:						
Local sources	97,750	-	-	-	-	-
Intermediate sources	-	19	-	-	-	-
State sources	-	-	-	28,979	-	-
Federal sources	-	-	-	-	-	-
Other receipts	2,751	-	-	-	-	1,347,290
Total receipts	100,501	19	-	28,979	-	1,347,290
Disbursements:						
Instruction	94,148	-	2,532	28,979	-	-
Support services	11,852	-	-	-	-	1,347,290
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	106,000	-	2,532	28,979	-	1,347,290
Excess (deficiency) of receipts over disbursements	(5,499)	19	(2,532)	-	-	-
Other financing sources (uses):						
Transfers in	14,408	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	14,408	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,909	19	(2,532)	-	-	-
Cash and investments - ending	\$ 8,909	\$ 1,560	\$ -	\$ -	\$ -	\$ -

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

	Secured Schools Safety Grant	School Technology	Prepaid Food School Lunch	Excess PTRC Distributions	Title I 14-15	Title I 13-14
Cash and investments - beginning	\$ -	\$ 1,624	\$ (1,515)	\$ 1,901	\$ (4,268)	\$ -
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	21,237	6,564	-	-	-	-
Federal sources	-	-	-	-	12,679	104,234
Other receipts	-	-	231,425	-	-	-
Total receipts	21,237	6,564	231,425	-	12,679	104,234
Disbursements:						
Instruction	-	-	-	-	8,411	107,478
Support services	-	6,485	231,996	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total disbursements	-	6,485	231,996	-	8,411	107,478
Excess (deficiency) of receipts over disbursements	21,237	79	(571)	-	4,268	(3,244)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(21,237)	-	-	-	-	-
Total other financing sources (uses)	(21,237)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	79	(571)	-	4,268	(3,244)
Cash and investments - ending	\$ -	\$ 1,703	\$ (2,086)	\$ 1,901	\$ -	\$ (3,244)

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

	Tech Assistance for Sp Ed	IDEA	Preschool Handicap	Improving Teacher Quality, No Child Left, Title II, Part A 14-15	Improving Teacher Quality, No Child Left, Title II, Part A 15-16	Totals
Cash and investments - beginning	\$ -	\$ (11,584)	\$ -	\$ -	\$ -	\$ 5,218,929
Receipts:						
Local sources	-	-	-	-	-	3,262,354
Intermediate sources	-	-	-	-	-	283
State sources	-	-	-	-	-	5,723,907
Federal sources	4,303	203,003	6,728	-	33,094	620,711
Other receipts	-	-	-	-	-	1,596,741
Total receipts	4,303	203,003	6,728	-	33,094	11,203,996
Disbursements:						
Instruction	4,303	202,687	6,728	-	-	4,311,477
Support services	-	-	-	-	33,094	4,738,843
Noninstructional services	-	-	-	-	-	617,340
Facilities acquisition and construction	-	-	-	-	-	311,233
Debt service	-	-	-	-	-	1,116,838
Total disbursements	4,303	202,687	6,728	-	33,094	11,095,731
Excess (deficiency) of receipts over disbursements	-	316	-	-	-	108,265
Other financing sources (uses):						
Transfers in	-	-	-	-	-	305,762
Transfers out	-	-	-	-	-	(305,762)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	316	-	-	-	108,265
Cash and investments - ending	\$ -	\$ (11,268)	\$ -	\$ -	\$ -	\$ 5,327,194

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ -</u>	<u>\$ 14,511</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Covington Multi School Building Corporation	Improvements to all school buildings	\$ 287,497	06/01/2014	12/30/2017
Covington Multi School Building Corporation	Building Corp Lease Rental - Construction	<u>574,500</u>	05/26/2004	01/15/2027
Total of annual lease payments		<u>\$ 861,997</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	GO Bond 2008 - Building Improvement	\$ 385,000	\$ 164,718
General obligation bonds	GO Bond of 2014 - Building Improvement	450,000	303,750
Notes and loans payable	Common School Loan - Building Improvement	<u>725,625</u>	<u>82,238</u>
Totals		<u>\$ 1,560,625</u>	<u>\$ 550,706</u>

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

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 56,675
Buildings	20,323,494
Improvements other than buildings	7,964,782
Machinery, equipment, and vehicles	<u>2,447,570</u>
Total capital assets	<u>\$ 30,792,521</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

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE COVINGTON COMMUNITY SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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)


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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


Paul D. Joyce, CPA
State Examiner

May 2, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	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
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast		10.553	FY2015	\$ -	\$ 36,213	\$ -	\$ -
School Breakfast		10.553	FY2016	-	-	-	41,133
Total - School Breakfast Program				-	36,213	-	41,133
National School Lunch Program							
School Lunch Commodities	Indiana Department of Education						
School Lunch		10.555	FY2015	-	33,671	-	-
School Lunch Commodities		10.555	FY2015	-	188,967	-	-
School Lunch		10.555	FY2016	-	-	-	30,195
School Lunch		10.555	FY2016	-	-	-	185,390
Total - National School Lunch Program				-	222,638	-	215,585
Total - Child Nutrition Cluster				-	258,851	-	256,718
Total - Department of Agriculture				-	258,851	-	256,718
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States							
SpEd Part B - Fund 5261	Indiana Department of Education						
SpEd Part B - Fund 5260		84.027	14214-075- PN01	-	36,920	-	-
SpEd Part B - Fund 5260		84.027	14215-075-PN01	-	167,016	-	-
SpEd Part B - Fund 5260		84.027	14215-075-PN01	-	-	-	30,607
SpEd Part B - Fund 5261		84.027	14216-075- PN01	-	-	-	172,396
Technical Assistance		84.027	99914-75-TA01	-	100	-	-
Technical Assistance		84.027	99914-75-TA01	-	-	-	4,303
Total - Special Education_Grants to States				-	204,036	-	207,306
Special Education_Preschool Grants							
SpEd PreSchool - Fund 5410	Indiana Department of Education						
SpEd PreSchool - Fund 5410		84.173	45715-075-PN01	-	6,712	-	-
SpEd PreSchool - Fund 5410		84.173	45716-075-PN01	-	-	-	6,728
Total - Special Education_Preschool Grants				-	6,712	-	6,728
Total - Special Education Cluster (IDEA)				-	210,748	-	214,034
Title I Grants to Local Educational Agencies							
Title I Fund 4180	Indiana Department of Education						
Title I Fund 4170		84.010	14-2440	-	18,260	-	-
Title I Fund 4170		84.010	15-2440	-	96,045	-	-
Title I Fund 4170		84.010	15-2440	-	-	-	12,679
Title I Fund 4180		84.010	16-2440	-	-	-	104,234
Total - Title I Grants to Local Educational Agencies				-	114,305	-	116,913
Supporting Effective Instruction State Grants							
Title II Part A - Fund 6840	Indiana Department of Education						
Title II Part A - Fund 6841		84.367	PL 107-110 FFY2013	-	32,812	-	-
Title II Part A - Fund 6841		84.367	PL 107-110 FFY2014	-	-	-	33,094
Total - Supporting Effective Instruction State Grants				-	32,812	-	33,094
Total - Department of Education				-	357,865	-	364,041
Total federal awards expended				\$ -	\$ 616,716	\$ -	\$ 620,759

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

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

Note 1. Basis of Presentation

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

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

Note 2. Summary of Significant Accounting Policies

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

COVINGTON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	no

Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	
Child Nutrition Cluster	
Special Education Cluster (IDEA)	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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/>.