

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

KNOX COMMUNITY SCHOOL CORPORATION
STARKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Sue Fort	07-01-16 to 04-08-18
	Dawn Bailey	04-09-18 to 01-09-19
	(Vacant)	01-10-19 to 02-03-19
	Rose Workman	02-04-19 to 02-27-19
	(Vacant)	02-28-19 to 03-06-19
Superintendent of Schools	Kasey Clark	03-07-19 to 06-30-19
	A.J. Gappa	07-01-16 to 04-20-17
	(Vacant)	04-21-17 to 04-25-17
	Jim Dermody (interim)	04-26-17 to 07-31-17
	Dr. William Reichhart	08-01-17 to 06-30-19
President of the School Board	William K. Bennet	01-01-16 to 12-31-16
	Gary Dulin	01-01-17 to 12-31-18
	Kirk Bennett	01-01-19 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Knox Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, 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, 2016 to June 30, 2018.

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, 2016 to June 30, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 24, 2019, 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 24, 2019



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Knox Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2016 to June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated April 24, 2019, 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 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

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 of 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*.

Knox Community School Corporation's Response to Findings

The School Corporation's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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 24, 2019

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

KNOX COMMUNITY SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
General	\$ 992,853	\$ 12,785,590	\$ 12,155,133	\$ 23,153	\$ 1,646,463	\$ 12,986,265	\$ 12,457,087	\$ 42,541	\$ 2,218,182
Debt Service	1,942,430	3,089,137	3,054,709	(33,083)	1,943,775	2,800,674	3,107,698	(34,982)	1,601,769
Retirement/Severance Bond Debt Service	195,228	295,684	302,159	-	188,753	303,923	307,519	-	185,157
Capital Projects	620,446	1,017,772	1,577,041	-	61,177	1,100,864	846,098	-	315,943
School Transportation	375,482	981,566	935,879	-	421,169	1,002,086	989,452	-	433,803
School Bus Replacement	454,767	299,155	190,225	(110,000)	453,697	306,866	309,798	(100,000)	350,765
Rainy Day	1,499,243	27,413	56,979	54,326	1,524,003	-	45,640	155,675	1,634,038
Retirement/Severance Bond	313,123	-	58,715	-	254,408	-	35,306	-	219,102
Construction	300	-	300	-	-	37,161	82,261	45,100	-
School Lunch	206,583	1,090,290	1,134,724	-	162,149	1,060,970	1,032,506	-	190,613
Textbook Rental	439,644	162,220	236,219	33,082	398,727	154,531	348,956	34,982	239,284
Educational License Plates	5,532	269	-	-	5,801	206	-	-	6,007
Early Intervention Grant	-	8,759	564	-	8,195	-	8,195	-	-
17-18 Early Intervention Grant	-	-	-	-	-	8,159	8,159	-	-
Early Intervention Grant 15-16	13,479	-	13,479	-	-	-	-	-	-
Dr Browne Instructional	15,329	3,495	-	-	18,824	3,498	-	-	22,322
Janet Miller Memorial	1	-	1	-	-	-	-	-	-
Gurrado Scholarship	12	-	-	-	12	-	-	-	12
Instructional Support	1,495	-	-	-	1,495	-	-	-	1,495
Myers Memorial	1,907	-	-	-	1,907	-	-	-	1,907
Miscellaneous Programs 16-17	-	-	-	-	-	40,313	-	-	40,313
Miscellaneous Donation	564	-	-	-	564	-	-	-	564
Kindergarten Countdown	-	13,000	2,838	-	10,162	15,170	11,106	-	14,226
Summer Kindergarden Roundup 15-16	5,184	-	4,896	-	288	-	288	-	-
Preschool Sand Box Donation	-	-	-	-	-	500	500	-	-
JAG Award	-	200	200	-	-	-	-	-	-
Formative Assessment	16,770	-	16,770	-	-	-	-	-	-
Special Education Excess Costs	-	19,497	17,981	-	1,516	-	-	-	1,516
IN Preschool Grants	-	-	-	-	-	19,125	4,885	-	14,240
Instruction Support	-	32,644	28,665	-	3,979	-	3,979	-	-
High Ability 17-18	-	-	-	-	-	32,497	27,996	-	4,501
Gifted Talented 12-13	329	-	329	-	-	-	-	-	-
Medicaid Reimbursement	5,960	32,269	-	(23,153)	15,076	33,824	-	(42,541)	6,359
Secured Schools Safety Grant	-	-	34,553	34,553	-	35,272	719	(34,553)	-
Project Lead The Way 14-15	1,188	-	-	(1,188)	-	-	-	-	-
Project Lead The Way 15-16	5,000	-	6,188	1,188	-	-	-	-	-
Non-English Speaking Programs	-	-	-	-	-	5,750	5,700	-	50
Non-English 12-13	446	-	446	-	-	-	-	-	-
Non-English 16-17	-	5,000	4,403	-	597	-	597	-	-
School Technology	18,551	6,308	-	-	24,859	7,770	-	-	32,629
School Technology 15-16	23,160	-	14,895	-	8,265	-	1,178	-	7,087
Career and Technical Performance Grant	-	13,181	-	-	13,181	14,312	2,951	-	24,542

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2017 and 2018

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18
Performance Based Awards 16-17	-	-	-	-	-	54,945	54,945	-	-
Performance Based Awards 15-16	-	28,719	28,719	-	-	-	-	-	-
21st Century Scholars	-	775	-	-	775	-	775	-	-
Miscellaneous Programs 15-16	768	-	-	-	768	-	-	-	768
Wellness Program	13,097	-	-	-	13,097	-	-	-	13,097
Miscellaneous Tech	876	-	-	-	876	-	-	-	876
Starke United	196	-	-	-	196	-	196	-	-
18-19 Special Ed Joint Services	-	243,858	263,965	20,107	-	46,098	25,991	(20,107)	-
Vocational Trades 18-19	-	222,150	222,150	-	-	-	-	-	-
Vocational Trades 17-18	(17,388)	34,681	17,293	-	-	295,900	295,900	-	-
17-18 Special Ed Joint Services	-	-	-	-	-	243,640	262,705	-	(19,065)
Save Program	(877)	877	1,015	1,015	-	1,015	1,469	(1,015)	(1,469)
Title I 11-12	(42,937)	81,441	38,504	-	-	-	-	-	-
Title I 16-17	-	323,179	367,950	-	(44,771)	86,390	41,619	-	-
Title I 17-18	-	-	-	-	-	318,191	345,601	-	(27,410)
Special Ed 16-17	-	359,072	404,050	-	(44,978)	90,220	45,242	-	-
Special Ed 17-18	-	-	-	-	-	380,140	418,193	-	(38,053)
Special Ed 15-16	(34,743)	97,593	62,850	-	-	-	-	-	-
Preschool 16-17	-	12,633	13,963	-	(1,330)	3,325	1,995	-	-
Preschool 17-18	-	-	-	-	-	12,500	13,811	-	(1,311)
Preschool 15-16	(874)	2,104	1,230	-	-	-	-	-	-
Career Incentive	(31)	7,714	7,683	-	-	-	-	-	-
Career Awareness 17-18	-	-	-	-	-	7,714	7,714	-	-
Medicaid Reimbursement - Federal	70,131	59,192	12,559	-	116,764	69,058	151,011	-	34,811
Medicaid Reimbursement - Federal 15-16	29,596	29,124	2,435	-	56,285	18,776	75,061	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	-	-	-	-	-	19,380	29,419	-	(10,039)
Title II 14-15	(55,668)	71,368	15,700	-	-	-	-	-	-
Title II 15-17	-	25,759	88,356	-	(62,597)	84,554	21,957	-	-
Rural Schools and Low Income Program - Pass Through State	(805)	8,634	7,829	-	-	-	-	-	-
Title VI 17-19	-	34,277	36,391	-	(2,114)	5,104	2,990	-	-
Title VI Rural & Low 16-18	-	-	985	-	(985)	33,086	32,918	-	(817)
Payroll Clearing	58,474	2,670,926	2,660,370	-	69,030	2,601,822	2,614,697	-	56,155
Prepaid Meals	2,235	275,197	273,705	-	3,727	245,129	243,888	-	4,968
Food Service Payroll Clearing	1,202	78,073	78,356	-	919	71,538	71,818	-	640
Totals	\$ 7,178,258	\$ 24,550,795	\$ 24,454,349	\$ -	\$ 7,274,704	\$ 24,658,261	\$ 24,398,489	\$ 45,100	\$ 7,579,577

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

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

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

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

KNOX COMMUNITY 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.

KNOX 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.

KNOX 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. This is a result of reimbursements for expenditures which were not received as of June 30, 2017 and 2018.

Note 8. Holding Corporation

The School Corporation entered into capital leases with the Knox Middle 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, 2017 and 2018, totaled \$2,422,000 and \$2,475,000, respectively.

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.

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 992,853	\$ 1,942,430	\$ 195,228	\$ 620,446	\$ 375,482	\$ 454,767	\$ 1,499,243	\$ 313,123	\$ 300	\$ 206,583
Receipts:										
Local sources	90,512	3,089,137	295,684	1,017,772	980,399	299,155	-	-	-	315,741
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	12,695,078	-	-	-	-	-	27,413	-	-	7,461
Federal sources	-	-	-	-	-	-	-	-	-	767,071
Other receipts	-	-	-	-	1,167	-	-	-	-	17
Total receipts	12,785,590	3,089,137	295,684	1,017,772	981,566	299,155	27,413	-	-	1,090,290
Disbursements:										
Instruction	8,167,889	-	-	-	-	-	-	32,333	-	-
Support services	3,737,638	-	-	1,514,091	935,879	190,225	56,979	26,382	300	3,329
Noninstructional services	245,940	-	-	-	-	-	-	-	-	1,113,926
Facilities acquisition and construction	3,666	-	-	62,950	-	-	-	-	-	17,469
Debt service	-	3,054,709	302,159	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,155,133	3,054,709	302,159	1,577,041	935,879	190,225	56,979	58,715	300	1,134,724
Excess (deficiency) of receipts over disbursements	630,457	34,428	(6,475)	(559,269)	45,687	108,930	(29,566)	(58,715)	(300)	(44,434)
Other financing sources (uses):										
Transfers in	23,153	-	-	-	-	-	110,000	-	-	-
Transfers out	-	(33,083)	-	-	-	(110,000)	(55,674)	-	-	-
Total other financing sources (uses)	23,153	(33,083)	-	-	-	(110,000)	54,326	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	653,610	1,345	(6,475)	(559,269)	45,687	(1,070)	24,760	(58,715)	(300)	(44,434)
Cash and investments - ending	\$ 1,646,463	\$ 1,943,775	\$ 188,753	\$ 61,177	\$ 421,169	\$ 453,697	\$ 1,524,003	\$ 254,408	\$ -	\$ 162,149

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Textbook Rental	Educational License Plates	Early Intervention Grant	17-18 Early Intervention Grant	Early Intervention Grant 15-16	Dr Browne Instructional	Janet Miller Memorial	Gurrado Scholarship	Instructional Support	Myers Memorial
Cash and investments - beginning	\$ 439,644	\$ 5,532	\$ -	\$ -	\$ 13,479	\$ 15,329	\$ 1	\$ 12	\$ 1,495	\$ 1,907
Receipts:										
Local sources	77,825	-	-	-	-	3,495	-	-	-	-
Intermediate sources	-	269	-	-	-	-	-	-	-	-
State sources	84,395	-	8,759	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	162,220	269	8,759	-	-	3,495	-	-	-	-
Disbursements:										
Instruction	-	-	-	-	-	-	1	-	-	-
Support services	236,219	-	564	-	13,479	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	236,219	-	564	-	13,479	-	1	-	-	-
Excess (deficiency) of receipts over disbursements	(73,999)	269	8,195	-	(13,479)	3,495	(1)	-	-	-
Other financing sources (uses):										
Transfers in	33,082	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	33,082	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,917)	269	8,195	-	(13,479)	3,495	(1)	-	-	-
Cash and investments - ending	\$ 398,727	\$ 5,801	\$ 8,195	\$ -	\$ -	\$ 18,824	\$ -	\$ 12	\$ 1,495	\$ 1,907

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Miscellaneous Programs 16-17	Miscellaneous Donation	Kindergarden Countdown	Summer Kindergarden Roundup 15-16	Preschool Sand Box Donation	JAG Award	Formative Assessment	Special Education Excess Costs	IN Preschool Grants	Instruction Support
Cash and investments - beginning	\$ -	\$ 564	\$ -	\$ 5,184	\$ -	\$ -	\$ 16,770	\$ -	\$ -	\$ -
Receipts:										
Local sources	-	-	13,000	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	200	-	-	-	-
State sources	-	-	-	-	-	-	-	19,497	-	32,644
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	13,000	-	-	200	-	19,497	-	32,644
Disbursements:										
Instruction	-	-	1,169	3,812	-	-	-	-	-	28,665
Support services	-	-	1,669	1,084	-	-	16,770	17,981	-	-
Noninstructional services	-	-	-	-	-	200	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	2,838	4,896	-	200	16,770	17,981	-	28,665
Excess (deficiency) of receipts over disbursements	-	-	10,162	(4,896)	-	-	(16,770)	1,516	-	3,979
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	10,162	(4,896)	-	-	(16,770)	1,516	-	3,979
Cash and investments - ending	\$ -	\$ 564	\$ 10,162	\$ 288	\$ -	\$ -	\$ -	\$ 1,516	\$ -	\$ 3,979

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	High Ability 17-18	Gifted Talented 12-13	Medicaid Reimbursement	Secured Schools Safety Grant	Project Lead The Way 14-15	Project Lead The Way 15-16	Non-English Speaking Programs	Non-English 12-13	Non-English 16-17	School Technology
Cash and investments - beginning	\$ -	\$ 329	\$ 5,960	\$ -	\$ 1,188	\$ 5,000	\$ -	\$ 446	\$ -	\$ 18,551
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	32,269	-	-	-	-	-	5,000	6,308
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	32,269	-	-	-	-	-	5,000	6,308
Disbursements:										
Instruction	-	329	-	-	-	6,188	-	-	-	-
Support services	-	-	-	34,553	-	-	-	446	4,403	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	329	-	34,553	-	6,188	-	446	4,403	-
Excess (deficiency) of receipts over disbursements	-	(329)	32,269	(34,553)	-	(6,188)	-	(446)	597	6,308
Other financing sources (uses):										
Transfers in	-	-	-	34,553	-	1,188	-	-	-	-
Transfers out	-	-	(23,153)	-	(1,188)	-	-	-	-	-
Total other financing sources (uses)	-	-	(23,153)	34,553	(1,188)	1,188	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(329)	9,116	-	(1,188)	(5,000)	-	(446)	597	6,308
Cash and investments - ending	\$ -	\$ -	\$ 15,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597	\$ 24,859

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	School Technology 15-16	Career and Technical Performance Grant	Performance Based Awards 16-17	Performance Based Awards 15-16	21st Century Scholars	Miscellaneous Programs 15-16	Wellness Program	Miscellaneous Tech	Starke United	18-19 Special Ed Joint Services
Cash and investments - beginning	\$ 23,160	\$ -	\$ -	\$ -	\$ -	\$ 768	\$ 13,097	\$ 876	\$ 196	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	243,858
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	13,181	-	28,719	775	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	13,181	-	28,719	775	-	-	-	-	243,858
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	263,965
Support services	14,895	-	-	28,719	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	14,895	-	-	28,719	-	-	-	-	-	263,965
Excess (deficiency) of receipts over disbursements	(14,895)	13,181	-	-	775	-	-	-	-	(20,107)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	20,107
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	20,107
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,895)	13,181	-	-	775	-	-	-	-	-
Cash and investments - ending	\$ 8,265	\$ 13,181	\$ -	\$ -	\$ 775	\$ 768	\$ 13,097	\$ 876	\$ 196	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
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 For the Year Ended June 30, 2017

	Vocational Trades 18-19	Vocational Trades 17-18	17-18 Special Ed Joint Services	Save Program	Title I 11-12	Title I 16-17	Title I 17-18	Special Ed 16-17	Special Ed 17-18	Special Ed 15-16
Cash and investments - beginning	\$ -	\$ (17,388)	\$ -	\$ (877)	\$ (42,937)	\$ -	\$ -	\$ -	\$ -	\$ (34,743)
Receipts:										
Local sources	222,150	34,681	-	877	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	81,441	323,179	-	359,072	-	97,593
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	222,150	34,681	-	877	81,441	323,179	-	359,072	-	97,593
Disbursements:										
Instruction	222,150	17,293	-	1,015	19,642	252,215	-	404,050	-	62,850
Support services	-	-	-	-	18,862	105,605	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	10,130	-	-	-	-
Total disbursements	222,150	17,293	-	1,015	38,504	367,950	-	404,050	-	62,850
Excess (deficiency) of receipts over disbursements	-	17,388	-	(138)	42,937	(44,771)	-	(44,978)	-	34,743
Other financing sources (uses):										
Transfers in	-	-	-	1,015	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,015	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	17,388	-	877	42,937	(44,771)	-	(44,978)	-	34,743
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (44,771)	\$ -	\$ (44,978)	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Preschool 16-17	Preschool 17-18	Preschool 15-16	Career Incentive	Career Awareness 17-18	Medicaid Reimbursement - Federal	Medicaid Reimbursement- Federal 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title II 14-15	Title II 15-17
Cash and investments - beginning	\$ -	\$ -	\$ (874)	\$ (31)	\$ -	\$ 70,131	\$ 29,596	\$ -	\$ (55,668)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	12,633	-	2,104	7,714	-	59,192	29,124	-	71,368	25,759
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	12,633	-	2,104	7,714	-	59,192	29,124	-	71,368	25,759
Disbursements:										
Instruction	13,963	-	1,230	7,683	-	9,914	1,401	-	-	-
Support services	-	-	-	-	-	2,645	1,034	-	15,700	83,506
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	4,850
Total disbursements	13,963	-	1,230	7,683	-	12,559	2,435	-	15,700	88,356
Excess (deficiency) of receipts over disbursements	(1,330)	-	874	31	-	46,633	26,689	-	55,668	(62,597)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,330)	-	874	31	-	46,633	26,689	-	55,668	(62,597)
Cash and investments - ending	\$ (1,330)	\$ -	\$ -	\$ -	\$ -	\$ 116,764	\$ 56,285	\$ -	\$ -	\$ (62,597)

KNOX COMMUNITY SCHOOL CORPORATION
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 For the Year Ended June 30, 2017

	Rural Schools and Low Income Program - Pass Through State	Title VI 17-19	Title VI Rural & Low 16-18	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ (805)	\$ -	\$ -	\$ 58,474	\$ 2,235	\$ 1,202	\$ 7,178,258
Receipts:							
Local sources	-	-	-	-	-	-	6,684,286
Intermediate sources	-	-	-	-	-	-	469
State sources	-	-	-	-	-	-	12,961,499
Federal sources	8,634	34,277	-	-	-	-	1,879,161
Other receipts	-	-	-	2,670,926	275,197	78,073	3,025,380
Total receipts	8,634	34,277	-	2,670,926	275,197	78,073	24,550,795
Disbursements:							
Instruction	-	-	-	-	-	-	9,517,757
Support services	7,829	34,591	985	-	-	-	7,106,362
Noninstructional services	-	-	-	-	-	-	1,360,066
Facilities acquisition and construction	-	-	-	-	-	-	84,085
Debt service	-	-	-	-	-	-	3,356,868
Nonprogrammed charges	-	1,800	-	2,660,370	273,705	78,356	3,029,211
Total disbursements	7,829	36,391	985	2,660,370	273,705	78,356	24,454,349
Excess (deficiency) of receipts over disbursements	805	(2,114)	(985)	10,556	1,492	(283)	96,446
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	223,098
Transfers out	-	-	-	-	-	-	(223,098)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	805	(2,114)	(985)	10,556	1,492	(283)	96,446
Cash and investments - ending	\$ -	\$ (2,114)	\$ (985)	\$ 69,030	\$ 3,727	\$ 919	\$ 7,274,704

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 For the Year Ended June 30, 2018

	General	Debt Service	Retirement/ Severance/ Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 1,646,463	\$ 1,943,775	\$ 188,753	\$ 61,177	\$ 421,169	\$ 453,697	\$ 1,524,003	\$ 254,408	\$ -	\$ 162,149
Receipts:										
Local sources	392,157	2,800,674	303,923	1,100,864	1,002,086	306,866	-	-	37,161	281,679
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	12,594,108	-	-	-	-	-	-	-	-	7,737
Federal sources	-	-	-	-	-	-	-	-	-	771,542
Other receipts	-	-	-	-	-	-	-	-	-	12
Total receipts	<u>12,986,265</u>	<u>2,800,674</u>	<u>303,923</u>	<u>1,100,864</u>	<u>1,002,086</u>	<u>306,866</u>	<u>-</u>	<u>-</u>	<u>37,161</u>	<u>1,060,970</u>
Disbursements:										
Instruction	7,731,203	-	-	-	-	-	-	35,306	-	-
Support services	4,485,381	-	-	819,743	989,452	309,798	45,640	-	82,261	512
Noninstructional services	240,503	-	-	-	-	-	-	-	-	1,031,196
Facilities acquisition and construction	-	-	-	26,355	-	-	-	-	-	798
Debt service	-	3,107,698	307,519	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>12,457,087</u>	<u>3,107,698</u>	<u>307,519</u>	<u>846,098</u>	<u>989,452</u>	<u>309,798</u>	<u>45,640</u>	<u>35,306</u>	<u>82,261</u>	<u>1,032,506</u>
Excess (deficiency) of receipts over disbursements	<u>529,178</u>	<u>(307,024)</u>	<u>(3,596)</u>	<u>254,766</u>	<u>12,634</u>	<u>(2,932)</u>	<u>(45,640)</u>	<u>(35,306)</u>	<u>(45,100)</u>	<u>28,464</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	45,100	-
Transfers in	42,541	-	-	-	-	-	155,675	-	-	-
Transfers out	-	(34,982)	-	-	-	(100,000)	-	-	-	-
Total other financing sources (uses)	<u>42,541</u>	<u>(34,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>155,675</u>	<u>-</u>	<u>45,100</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>571,719</u>	<u>(342,006)</u>	<u>(3,596)</u>	<u>254,766</u>	<u>12,634</u>	<u>(102,932)</u>	<u>110,035</u>	<u>(35,306)</u>	<u>-</u>	<u>28,464</u>
Cash and investments - ending	<u>\$ 2,218,182</u>	<u>\$ 1,601,769</u>	<u>\$ 185,157</u>	<u>\$ 315,943</u>	<u>\$ 433,803</u>	<u>\$ 350,765</u>	<u>\$ 1,634,038</u>	<u>\$ 219,102</u>	<u>\$ -</u>	<u>\$ 190,613</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Textbook Rental	Educational License Plates	Early Intervention Grant	17-18 Early Intervention Grant	Early Intervention Grant 15-16	Dr Browne Instructional	Janet Miller Memorial	Gurrado Scholarship	Instructional Support	Myers Memorial
Cash and investments - beginning	\$ 398,727	\$ 5,801	\$ 8,195	\$ -	\$ -	\$ 18,824	\$ -	\$ 12	\$ 1,495	\$ 1,907
Receipts:										
Local sources	67,809	-	-	-	-	3,498	-	-	-	-
Intermediate sources	-	206	-	-	-	-	-	-	-	-
State sources	86,722	-	-	8,159	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	154,531	206	-	8,159	-	3,498	-	-	-	-
Disbursements:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	348,956	-	8,195	8,159	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	348,956	-	8,195	8,159	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(194,425)	206	(8,195)	-	-	3,498	-	-	-	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	34,982	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	34,982	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(159,443)	206	(8,195)	-	-	3,498	-	-	-	-
Cash and investments - ending	\$ 239,284	\$ 6,007	\$ -	\$ -	\$ -	\$ 22,322	\$ -	\$ 12	\$ 1,495	\$ 1,907

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Miscellaneous Programs 16-17	Miscellaneous Donation	Kindergarden Countdown	Summer Kindergarden Roundup 15-16	Preschool Sand Box Donation	JAG Award	Formative Assessment	Special Education Excess Costs	IN Preschool Grants	Instruction Support
Cash and investments - beginning	\$ -	\$ 564	\$ 10,162	\$ 288	\$ -	\$ -	\$ -	\$ 1,516	\$ -	\$ 3,979
Receipts:										
Local sources	40,313	-	15,170	-	500	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	19,125	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	40,313	-	15,170	-	500	-	-	-	19,125	-
Disbursements:										
Instruction	-	-	7,786	288	500	-	-	-	-	3,979
Support services	-	-	3,320	-	-	-	-	-	4,885	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	11,106	288	500	-	-	-	4,885	3,979
Excess (deficiency) of receipts over disbursements	40,313	-	4,064	(288)	-	-	-	-	14,240	(3,979)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40,313	-	4,064	(288)	-	-	-	-	14,240	(3,979)
Cash and investments - ending	\$ 40,313	\$ 564	\$ 14,226	\$ -	\$ -	\$ -	\$ -	\$ 1,516	\$ 14,240	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	High Ability 17-18	Gifted Talented 12-13	Medicaid Reimbursement	Secured Schools Safety Grant	Project Lead The Way 14-15	Project Lead The Way 15-16	Non-English Speaking Programs	Non-English 12-13	Non-English 16-17	School Technology
Cash and investments - beginning	\$ -	\$ -	\$ 15,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597	\$ 24,859
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	32,497	-	33,824	35,272	-	-	5,750	-	-	7,770
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>32,497</u>	<u>-</u>	<u>33,824</u>	<u>35,272</u>	<u>-</u>	<u>-</u>	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>7,770</u>
Disbursements:										
Instruction	22,088	-	-	-	-	-	-	-	-	-
Support services	5,908	-	-	719	-	-	5,700	-	597	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>27,996</u>	<u>-</u>	<u>-</u>	<u>719</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>597</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>4,501</u>	<u>-</u>	<u>33,824</u>	<u>34,553</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>(597)</u>	<u>7,770</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(42,541)	(34,553)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(42,541)</u>	<u>(34,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,501</u>	<u>-</u>	<u>(8,717)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>(597)</u>	<u>7,770</u>
Cash and investments - ending	<u>\$ 4,501</u>	<u>\$ -</u>	<u>\$ 6,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,629</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	School Technology 15-16	Career and Technical Performance Grant	Performance Based Awards 16-17	Performance Based Awards 15-16	21st Century Scholars	Miscellaneous Programs 15-16	Wellness Program	Miscellaneous Tech	Starke United	18-19 Special Ed Joint Services
Cash and investments - beginning	\$ 8,265	\$ 13,181	\$ -	\$ -	\$ 775	\$ 768	\$ 13,097	\$ 876	\$ 196	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	46,098
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	14,312	54,945	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	14,312	54,945	-	-	-	-	-	-	46,098
Disbursements:										
Instruction	-	2,951	54,945	-	775	-	-	-	-	25,991
Support services	1,178	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	196	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,178	2,951	54,945	-	775	-	-	-	196	25,991
Excess (deficiency) of receipts over disbursements	(1,178)	11,361	-	-	(775)	-	-	-	(196)	20,107
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	(20,107)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	(20,107)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,178)	11,361	-	-	(775)	-	-	-	(196)	-
Cash and investments - ending	\$ 7,087	\$ 24,542	\$ -	\$ -	\$ -	\$ 768	\$ 13,097	\$ 876	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Vocational Trades 18-19	Vocational Trades 17-18	17-18 Special Ed Joint Services	Save Program	Title I 11-12	Title I 16-17	Title I 17-18	Special Ed 16-17	Special Ed 17-18	Special Ed 15-16
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (44,771)	\$ -	\$ (44,978)	\$ -	\$ -
Receipts:										
Local sources	-	295,900	243,640	1,015	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	86,390	318,191	90,220	380,140	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	295,900	243,640	1,015	-	86,390	318,191	90,220	380,140	-
Disbursements:										
Instruction	-	295,900	262,705	1,469	-	28,963	328,548	45,242	418,193	-
Support services	-	-	-	-	-	12,656	17,053	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	295,900	262,705	1,469	-	41,619	345,601	45,242	418,193	-
Excess (deficiency) of receipts over disbursements	-	-	(19,065)	(454)	-	44,771	(27,410)	44,978	(38,053)	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,015)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(1,015)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(19,065)	(1,469)	-	44,771	(27,410)	44,978	(38,053)	-
Cash and investments - ending	\$ -	\$ -	\$ (19,065)	\$ (1,469)	\$ -	\$ -	\$ (27,410)	\$ -	\$ (38,053)	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Preschool 16-17	Preschool 17-18	Preschool 15-16	Career Incentive	Career Awareness 17-18	Medicaid Reimbursement - Federal	Medicaid Reimbursement- Federal 15-16	Improving Teacher Quality, No Child Left, Title II, Part A	Title II 14-15	Title II 15-17
Cash and investments - beginning	\$ (1,330)	\$ -	\$ -	\$ -	\$ -	\$ 116,764	\$ 56,285	\$ -	\$ -	\$ (62,597)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	3,325	12,500	-	-	7,714	69,058	18,776	19,380	-	84,554
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,325</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>7,714</u>	<u>69,058</u>	<u>18,776</u>	<u>19,380</u>	<u>-</u>	<u>84,554</u>
Disbursements:										
Instruction	1,995	13,811	-	-	7,714	147,996	73,967	-	-	-
Support services	-	-	-	-	-	3,015	1,094	29,419	-	21,957
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>1,995</u>	<u>13,811</u>	<u>-</u>	<u>-</u>	<u>7,714</u>	<u>151,011</u>	<u>75,061</u>	<u>29,419</u>	<u>-</u>	<u>21,957</u>
Excess (deficiency) of receipts over disbursements	<u>1,330</u>	<u>(1,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,953)</u>	<u>(56,285)</u>	<u>(10,039)</u>	<u>-</u>	<u>62,597</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,330</u>	<u>(1,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,953)</u>	<u>(56,285)</u>	<u>(10,039)</u>	<u>-</u>	<u>62,597</u>
Cash and investments - ending	\$ -	\$ (1,311)	\$ -	\$ -	\$ -	\$ 34,811	\$ -	\$ (10,039)	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2018

	Rural Schools and Low Income Program - Pass Through State	Title VI 17-19	Title VI Rural & Low 16-18	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (2,114)	\$ (985)	\$ 69,030	\$ 3,727	\$ 919	\$ 7,274,704
Receipts:							
Local sources	-	-	-	-	-	-	6,939,353
Intermediate sources	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	12,900,221
Federal sources	-	5,104	33,086	-	-	-	1,899,980
Other receipts	-	-	-	2,601,822	245,129	71,538	2,918,501
Total receipts	-	5,104	33,086	2,601,822	245,129	71,538	24,658,261
Disbursements:							
Instruction	-	-	-	-	-	-	9,512,315
Support services	-	2,990	32,918	-	-	-	7,241,506
Noninstructional services	-	-	-	-	-	-	1,271,895
Facilities acquisition and construction	-	-	-	-	-	-	27,153
Debt service	-	-	-	-	-	-	3,415,217
Nonprogrammed charges	-	-	-	2,614,697	243,888	71,818	2,930,403
Total disbursements	-	2,990	32,918	2,614,697	243,888	71,818	24,398,489
Excess (deficiency) of receipts over disbursements	-	2,114	168	(12,875)	1,241	(279)	259,772
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	45,100
Transfers in	-	-	-	-	-	-	233,198
Transfers out	-	-	-	-	-	-	(233,198)
Total other financing sources (uses)	-	-	-	-	-	-	45,100
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,114	168	(12,875)	1,241	(279)	304,872
Cash and investments - ending	\$ -	\$ -	\$ (817)	\$ 56,155	\$ 4,968	\$ 640	\$ 7,579,577

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KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 632,629</u>	<u>\$ 98,168</u>

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Apple Financial Service	Laptop	\$ 297,620	04/01/2015	08/01/2018
Knox Middle School Building Corporation	KMS Lease 2018	327,500	04/10/2018	06/30/2026
Knox Middle School Building Corporation	KMS Lease	2,527,000	01/15/2008	01/15/2021
Knox Middle School Building Corporation	KES Lease	284,500	06/30/2015	12/31/2018
US Bank	Copier	<u>27,764</u>	07/01/2018	12/31/2021
Total of annual lease payments		<u>\$ 3,464,384</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Common School Loan	\$ 244,750	\$ 53,845
General obligation bonds	Pension Bond	1,006,992	301,452
Qualified School Constructgion Bonds	Renovations	<u>1,400,000</u>	<u>81,860</u> **
Totals		<u>\$ 2,651,742</u>	<u>\$ 437,157</u>

**Interest Only

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2018

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 2,072,200
Buildings	37,263,782
Improvements other than buildings	2,263,623
Machinery, equipment, and vehicles	<u>5,187,605</u>
Total capital assets	<u>\$ 46,787,210</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the Knox Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2016 to June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016 to June 30, 2018.

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 the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, 2018-003, and 2018-004, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 24, 2019

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.

KNOX COMMUNITY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 16-17, FY 17-18	\$ -	\$ 239,129	\$ -	\$ 211,442
National School Lunch Program		10.555	FY 16-17, FY 17-18	-	516,204	-	541,072
National School Lunch Program-Commodities		10.555	FY 16-17, FY 17-18	-	75,951	-	77,221
Total - National School Lunch Program				-	592,155	-	618,293
Summer Food Service Program for Children		10.559	FY 16-17, FY 17-18	-	11,738	-	19,028
Total - Child Nutrition Cluster				-	843,022	-	848,763
Total - Department of Agriculture				-	843,022	-	848,763
Department of Education							
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education Grants to States							
Special Education FY2016 Part B 611			14216-139-PN01	-	97,593	-	-
Special Education FY2017 Part B 611			14217-110-PN01	-	359,072	-	90,220
Special Education FY2018 Part B 611			18611-110-PN01	-	-	-	380,140
Total - Special Education Grants to States				-	456,665	-	470,360
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education FY 2016 Part B 619			45716-110-PN01	-	2,104	-	-
Special Education FY 2017 Part B 619			45717-110-PN01	-	12,633	-	3,325
Special Education FY 2018 Part B 619			18619-110-PN01	-	-	-	12,500
Total - Special Education Preschool Grants				-	14,737	-	15,825
Total - Special Education Cluster (IDEA)				-	471,402	-	486,185

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2017 and 2018

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 06-30-17	Total Federal Awards Expended 06-30-17	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 15-16			SY 2015-2016	-	81,441	-	-
Title I 16-17			SY 2016-2017	-	323,179	-	86,390
Title I 17-18			SY 2017-2018	-	-	-	318,191
Total - Title I Grants to Local Educational Agencies				-	404,620	-	404,581
Career and Technical Education-Basic Grants to States	Indiana Department of Education	84.048					
Carl Perkins Grant			SY 2016-2017	-	7,714	-	-
			SY 2017-2018	-	-	-	7,714
Total - Career and Technical Education-Basic Grants to States				-	7,714	-	7,714
Rural Education	Indiana Department of Education	84.358					
Rural and Low Income School Program			FY 2014	-	8,634	-	-
			FY 2015	-	34,277	-	5,104
			FY 2016	-	-	-	33,086
Total - Rural Education				-	42,911	-	38,190
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A 14-16			FFY 2015	-	71,368	-	-
Title II Part A 15-17			FFY 2016	-	25,759	-	19,380
Title II Part A 16-19			FFY 2017	-	-	-	84,554
Total - Supporting Effective Instruction State Grants				-	97,127	-	103,934
Total - Department of Education				-	1,023,774	-	1,040,604
Total federal awards expended				\$ -	\$ 1,866,796	\$ -	\$ 1,889,367

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2017 and 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 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 Uniform Guidance, 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. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
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
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Unmodified
	Special Education Cluster	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is the source of the School Corporation's SEFA. One employee prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

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

Context

The lack of controls over the preparation of the SEFA was a systemic issue throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Special Tests and
Provisions - Verification of Free and Reduced Price Applications
(NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

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 compliance requirements listed above.

Cash Management

The School Corporation established controls and procedures to monitor the School Lunch fund monthly cash balances (net cash resources) to ensure that they were limited to three months average expenditures; however, the review and monitoring process was not documented.

Eligibility - (School Breakfast Program and National School Lunch Program)

The School Corporation established controls and procedures to verify that the Direct Certification list and the Income Eligibility Guidelines uploaded into the software used to determine eligibility; however, the process was not documented.

Program Income

The School Corporation had not designed or implemented adequate internal controls to verify that the transfer between the Prepaid Meals fund and the School Lunch fund were accurate. One employee transferred the program income into the School Lunch fund on a daily basis without an oversight, review or approval process, or other compensating control.

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

*Special Tests and Provisions - Verification of Free and Reduced Price Applications
(NSLP) (School Breakfast Program and National School Lunch Program)*

The School Corporation did not establish controls and procedures to ensure that the Verification Summary Report was accurate prior to submission. In addition, the verification of the applications were solely performed by one Food Service employee.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program Only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the paid lunch equity calculation was accurate and that the response to the determination was properly made. One employee prepared the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance 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 listed above. 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.

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

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Cash Management, Eligibility, Program Income, Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established effective controls to ensure proper procurement policies were followed. The School Corporation did not have effective internal controls in place to ensure that the purchasing methods used complied with 2 CFR 200.320.

The School Corporation did not always obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Context

The lack of effective controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the procurement 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 grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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

FINDING 2018-004

Subject: School Breakfast Program, National School Lunch Program - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

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

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

The submitted Verification Summary Report did not agree to the supporting documentation for the fiscal year 2017-2018.

Context

The lack of controls was a systemic issue throughout the audit period. Noncompliance occurred in 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

2 CFR 200.333 states in part:

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

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected, which 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 related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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



Dr. William Reichhart, Superintendent

(574) 772-1601
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wreichhart@knox.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2016-001 INTERNAL CONTROLS OVER CHILD NUTRITION

Fiscal year in which the finding initially occurred: FY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Dr. William Reichhart, Superintendent and Kasey Clark, Business Manager
Contact Phone Number: 574-772-1601 & 574-772-1604

Status of Audit Finding:


Free and Reduced applications are entered by the Food Service Director and reviewed by the Food Service Treasurer. Applications are dated and initialed by each individual.

KCSC is working to ensure that the Annual Financial Report is accurate prior to submission. This will be fully in place by May 31, 2019.

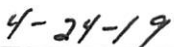
KCSC is working to ensure that the Verification Summary Report is accurate prior to submission. This will be fully in place by May 31, 2019.



(Signature)



(Title)



(Date)

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



Dr. William Reichhart, Superintendent

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wreichhart@knox.k12.in.us

FINDING 2016-002 ALLOWABLE COST/COST PRINCIPLES

Fiscal year in which the finding initially occurred: FY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Dr. William Reichhart, Superintendent & Kasey Clark, Business Manager
Contact Phone Number: 574-772-1601 & 574-772-1604

Status of Audit Finding:

The Food Service Director maintains current semiannual certifications and time and effort records for full-time and part-time employees paid from the school lunch fund.



(Signature)

SUIT

(Title)

4-24-19

(Date)

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



Dr. William Reichhart, Superintendent

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FINDING 2016-003 EQUIPMENT AND REAL PROPERTY MANAGEMENT

Fiscal year in which the finding initially occurred: FY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Dr. William Reichhart, Superintendent & Kasey Clark, Business Manager
Contact Phone Number: 574-772-1601 & 574-772-1604

Status of Audit Finding:

Inventory of purchased kitchen equipment has been recorded into the fixed asset report for the corporation.



(Signature)

SUPT.

(Title)

4-24-19

(Date)

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



Dr. William Reichhart, Superintendent

(574) 772-1601
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wreichhart@knox.k12.in.us

FINDING 2016-004 REPORTING

Fiscal year in which the finding initially occurred: FY 2016
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Dr. William Reichhart, Superintendent & Kasey Clark, Business Manager
Contact Phone Number: 574-772-1601 & 574-772-1604

Status of Audit Finding:

Annual Financial Expenditure reports have been compiled by the Treasurer and verified by the Deputy Treasurer. Both individuals have initialized and dated the reports.

W. Reichhart

(Signature)

SUBT.

(Title)

4/24/19

(Date)

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



Dr. William Reichhart, Superintendent

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CORRECTIVE ACTION PLAN


FINDING 2018-001

Contact Person Responsible for Corrective Action: Kasey Clark Corporate Treasurer/Business Manager
Contact Phone Number: 574-772-1604

Views of Responsible Official: The SEFA had no internal controls with a another set of eyes on the report to make sure that the report was checked for accuracy.

Description of Corrective Action Plan: The SEFA will be complied by the Corporate Treasurer/Business Manager and the Deputy Treasurer will review the SEFA of the Corporate Treasurer and verify the SEFA for accuracy.

Anticipated Completion Date: The is put into place immediately.



(Signature)

Corporate Treasurer/Business Manager



(Date)



Dr. William Reichhart, Superintendent

(574) 772-1601
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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Kasey Clark & Food Service Director
Contact Phone Number: 574-772-1604

Views of Responsible Official: There has been a lack of internal controls with cash management, procurement, program income, eligibility and special testing.

Description of Corrective Action Plan:

- A) Cash management: A cash report will be ran from all the registers daily and verified not only by the person running their drawer and put on SA-8 form with a signature and then will be turned over to the Food Service Director or Food Service Treasurer and will be verified accurate and initialed reviewed.
- B) Eligibility: The Food service director will review the Direct Certification list and the income eligibility guidelines and the Food Service Treasurer will then initial and verify the information, before uploading into software.
- C) Program Income: The Food Service Treasurer will initiate the transfer from prepaid accounts and will transfer daily and then the Food Service Director or Corporate Treasurer/Business Manager will oversee and initial the transfer.
- D) The Paid Lunch Equity calculation will be done by the Food Service Director or Food Service Treasurer and will be verified buy the Corporate Treasurer/Business Manager.

Anticipated Completion Date: Immediately.

(Signature)

Corporate Treasurer/Business Manager

(Title)

(Date)



Dr. William Reichhart, Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2018-003

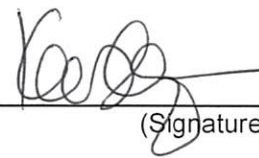
Contact Person Responsible for Corrective Action: Kasey Clark and Food Service Director-
Contact Phone Number: 574-772-1604

Views of Responsible Official: Procurement was not documented to have more than one quote for the food and for the kitchens. The bidding will be done with 3 different sources for food service items since that is a contract over more than \$3,500-\$150,000

Description of Corrective Action Plan: The Food Service Director will get 3 quote for food procurement and will then review with the Corporate Treasurer/Business Manager will review with the Food Service Director and together decide a plan for best products for the price. Both will initial and sign off on the plan.

The Kitchen Manager will place the order for the food and the Food Service Director or head cook will receive the food and check off the correct food order and to make sure that food is only being used in the kitchen and not for any other use.

Anticipated Completion Date: Immediately



(Signature)

Corporate Treasurer/Business Manager
(Title)

4/24/19

(Date)



Dr. William Reichhart, Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Kasey Clark & Food Service Director
Contact Phone Number: 574-772-1604

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan: The Summary report will be completed and then verified by the Food Service Director and the Corporate Treasurer/Business Manager or Food Service Treasurer and initialed for verification and compliance.

The Grant Guidelines will be followed by the Food Service Director and will be initialed off by the Food Service Treasurer or Corporate Treasurer/Business Manager.

Anticipated Completion Date: Immediately

(Signature)

Corporate Treasurer/Business Manager
(Title)

(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/>.