



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

Contact: Rob Sand
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Or Jim Cunningham
515/281-5834

FOR RELEASE May 30, 2024

Auditor of State Rob Sand today released a reaudit report on the Knoxville Community School District (District) for the period July 1, 2020 through June 30, 2023. The reaudit was performed at the request of petitioners pursuant to Section 11.6(4)(a)(3) of the *Code of Iowa*. The petition submitted to the Office of Auditor of State requested a reaudit of how the \$26,250,000 General Obligation School Bonds, Series 2020 funds were used. As a result, the reaudit period was expanded to include July 1, 2020 through June 30, 2023.

Sand reported the reaudit did not identify any improper disbursements or noncompliance related to the use of the bond proceeds. The following **Table** shows how the bond proceeds were disbursed.

Description	Amount
Bond Proceeds	\$ 29,481,694.75
Issuance costs	(424,774.22)
Construction costs:	
New Middle School	\$ 26,929,006.17
High School Addition	2,602,000.00
Northstar Elementary	16,600.18
Total construction costs	(29,547,606.35)
Disbursements exceeding proceeds	\$ (490,685.82)

The **Table** shows the cost of the various projects exceeded the available bond proceeds. In addition, the district expended \$1,134,511.50 of additional District PPEL funds for the construction of the middle school. The \$1,134,511.50 is not included in the above Table.

A copy of the reaudit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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KNOXVILLE COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
OF GENERAL OBLIGATION SCHOOL BONDS
FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2023

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Knoxville Community School District

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Officials – Fiscal Year 2023</u>		
Board of Education		
Cheri Gerdes	President	2023
Monica Sullivan	Vice President	2025
Dave Smith	Director	2023
Larissa Van Donselaar	Director	2023
Larry Scott	Director	2025
<u>(After November 2023 Election)</u>		
Dave Smith	President	2027
Monica Sullivan	Vice President	2025
Susan Swartzendruber	Director	2027
Brian Slykhuis	Director	2027
Larry Scott	Director	2025
School Officials		
Cassi Pearson	Superintendent	2023
Craig Mobley	Board Secretary	2023
Craig Mobley	Board Treasurer	2023

Knoxville Community School District



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Auditor of State's Report on Reaudit

To the Board of Education of
the Knoxville Community School District:

We received a request to perform a reaudit of the Knoxville Community School District (District) in accordance with Section 11.6(4)(a)(3) of the *Code of Iowa*. As a result of concerns regarding the use of the proceeds from the \$26,250,000 General Obligation School Bonds, Series 2020, as approved by public ballot. The District's management is responsible for the financial transactions of the District's. Based on discussions with District officials and personnel and a review of relevant information, we performed the following procedures.

1. Interviewed District officials to obtain an understanding of the \$26,250,000 General Obligation Bond.
2. Reviewed the disbursements made related to the \$26,250,000 General Obligation Bond to determine compliance with the ballot and bond resolution.

No items of non-compliance were identified during the performance of the specific procedures listed above. The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the District, additional matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance extended to us by the officials and personnel of the District during the course of the reaudit.

A handwritten signature in black ink, appearing to read "Rob Sand".

ROB SAND
Auditor of State

May 16, 2024

Knoxville Community School District

For the period July 1, 2020 through June 30, 2023

Background Information

We received a citizens’ petition to conduct a reaudit of the Knoxville Community School District (District) for the fiscal year 2023. The request specified the concerns listed in the next section of this report, including:

- HVAC was not completed at NorthStar Elementary as included in the bond resolution.
- New District offices were constructed at the time the new middle school was built and are located in the new school. This was not included in the ballot.

As a result of the request and review of the concerns, we determined it was necessary to perform reaudit procedures for the concerns identified. The reaudit procedures were performed for the period July 1, 2020 through June 30, 2023.

No instances of non-compliance were identified related to the specific concerns presented with the reaudit request. In addition, information obtained while performing the procedures is included in the following section of this report along with the concerns provided to us. While the reaudit procedures performed addressed the concerns presented, additional procedures were not performed during our fieldwork for the reaudit. Had we performed additional procedures, additional matters might have been identified and included in this report.

Concerns and Auditor’s Responses

- 1) **Compliance with the Bond Resolution and Ballot** – The petitioners noted the HVAC system was not completed at the Northstar Elementary School and District offices were moved into the new building which was not originally part of the ballot or in information provided to the public.

Auditor’s Response – A Special Election was held on Tuesday March 3, 2020 to vote on Proposition A. Proposition A states:

“Shall the Board of Directors of the Knoxville Community School District in the County of Marion, State of Iowa, be authorized to contract indebtedness and issue in an amount not to exceed \$26,250,000 to provide funds to construct, build, furnish and equip a Middle School addition to the High School building, including related remodeling and site improvements; to make HVAC improvements to the high school building; and to make HVAC improvements to Northstar Elementary School building?”

According to the Marion County Auditor’s website, the bond for the “New Middle School” passed with 1,342 yes votes and 840 no votes on May 3, 2020. The District split the bond issuance into 2 separate offerings. **Table 1** below shows the issuance date, face amount of the bonds issued, and the amount received from the sale of the bonds.

Table 1

Date	Amount	Proceeds	Premium Received
06/10/20	\$ 25,460,000.00	28,691,694.75	3,231,694.75
04/26/22	790,000.00	790,000.00	-
Total	\$ 26,250,000.00	29,481,694.75	3,231,694.75

Table 1 shows the District received \$3,231,694.75 more than the face value of the bonds issued. In order to determine how the funds were expended for each of the projects listed in the Proposition, we requested a list of all disbursements through June 30, 2023. **Table 2** shows how the bond proceeds were disbursed.

Table 2	
Description	Amount
Bond Proceeds	\$ 29,481,694.75
Issuance costs [^]	(424,774.22)
Construction costs:	
New Middle School	\$ 26,929,006.17
High School Addition	2,602,000.00
Northstar Elementary	16,600.18
Total construction costs	<u>(29,547,606.35)</u>
Disbursements exceeding proceeds	<u>\$ (490,685.82)</u>

[^] - Issuance cost include the costs of issuing the bonds. These costs may include legal, registration, underwriting, and accounting fees.

The **Table** shows the District expended \$490,685.82 more than the proceeds received from the sale of the bonds. In addition, the District expended \$1,134,511.50 of additional District PPEL funds for the construction of the middle school. This \$1,134,511.50 is not include in the above **Table**.

According to District Officials, the increased costs were the result of supply chain issues and costs increasing as a result of the COVID pandemic. As a result of the increased costs and other factors, the District was not able to complete the HVAC improvements to Northstar Elementary.

The petitioners noted the District moved the administrative offices to the new middle school building. According to District officials, the District included space for administrative offices in the new building in order to reduce costs to the District.

The administrative offices were located in a separate building owned by the District. The District was only using 25% of the space in the building. By moving the offices to the new building, the District was able to sell the old building and reduce District costs for maintaining and insuring the old building which was not being used to capacity.

Auditor’s Recommendation – None.

Knoxville Community School District

Staff

This reaudit was performed by:

Ridge G. Nennig, Staff Auditor

A handwritten signature in black ink, appearing to read 'James Cunningham', with a long horizontal flourish extending to the right.

James Cunningham, CPA
Chief Deputy Auditor of State