

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

AUDIT REPORT
OF
KNOX COMMUNITY SCHOOL CORPORATION
STARKE COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
03/04/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Sue Fort	07-01-06 to 06-30-09
Superintendent of Schools	Kimberly Knott	07-01-06 to 07-16-08
	Vacant	07-17-08 to 07-23-08
	Jacqueline Beery (Interim)	07-24-08 to 06-30-09
President of the School Board	Mike Yankauskas	01-01-06 to 12-31-07
	Linda Belork	01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 8, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 8, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Knox Community School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are 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.

This report is intended solely for the information and use of the School Corporation's management, the Knox Community School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 8, 2009

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 8,233,706	\$ -	\$ 66,177	\$ (8,167,529)
Support services	6,123,746	321,465	621,538	(5,180,743)
Community services	193,067	-	-	(193,067)
Nonprogrammed charges	998,127	-	-	(998,127)
Debt service	<u>2,444,278</u>	<u>-</u>	<u>-</u>	<u>(2,444,278)</u>
 Total government	 <u>\$ 17,992,924</u>	 <u>\$ 321,465</u>	 <u>\$ 687,715</u>	 <u>(16,983,744)</u>
 General receipts:				
Property taxes				6,179,922
Other local sources				1,016,256
State aid				9,433,747
Grants and contributions not restricted to specific programs				912,969
Sale of property, adjustments, and refunds				86,729
Investment earnings				<u>229,372</u>
 Total general receipts, interfund loans, transfers, and special items				 <u>17,858,995</u>
 Change in net assets				 875,251
 Net assets - beginning				 <u>3,943,884</u>
 Net assets - ending				 <u>\$ 4,819,135</u>
 <u>Assets</u>				
Cash and investments				\$ 4,416,177
Restricted assets:				
Cash and investments				<u>402,958</u>
 Total assets				 <u>\$ 4,819,135</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 402,958
Unrestricted				<u>4,416,177</u>
 Total net assets				 <u>\$ 4,819,135</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 8,356,247	\$ -	\$ 218,324	\$ (8,137,923)
Support services	6,783,895	320,171	629,789	(5,833,935)
Community services	245,740	-	-	(245,740)
Nonprogrammed charges	1,072,049	-	-	(1,072,049)
Debt service	2,645,418	-	-	(2,645,418)
Total government	<u>\$ 19,103,349</u>	<u>\$ 320,171</u>	<u>\$ 848,113</u>	<u>(17,935,065)</u>
General receipts:				
Property taxes				4,244,453
Other local sources				1,264,273
State aid				8,956,118
Grants and contributions not restricted to specific programs				990,735
Sale of property, adjustments, and refunds				169,797
Investment earnings				<u>228,226</u>
Total general receipts, interfund loans, transfers, and special items				<u>15,853,602</u>
Change in net assets				(2,081,463)
Net assets - beginning				<u>4,819,135</u>
Net assets - ending				<u><u>\$ 2,737,672</u></u>
 <u>Assets</u>				
Cash and investments				<u>\$ 2,737,672</u>
Total assets				<u><u>\$ 2,737,672</u></u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 2,737,672</u>
Total net assets				<u><u>\$ 2,737,672</u></u>

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

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 2,760,708	\$ 723,889	\$ 2,306,608	\$ 1,070,671	\$ 105,590	\$ 778,474	\$ 7,745,940
Intermediate sources	551	-	-	-	-	525	1,076
State sources	9,486,063	-	-	-	-	202,301	9,688,364
Federal sources	-	-	-	-	-	1,346,066	1,346,066
Sale of property, adjustments and refunds	<u>70,863</u>	<u>9,032</u>	<u>-</u>	<u>7,278</u>	<u>-</u>	<u>(444)</u>	<u>86,729</u>
Total receipts	<u>12,318,185</u>	<u>732,921</u>	<u>2,306,608</u>	<u>1,077,949</u>	<u>105,590</u>	<u>2,326,922</u>	<u>18,868,175</u>
Disbursements:							
Current:							
Instruction	7,264,585	-	-	-	-	969,121	8,233,706
Support services	2,895,555	705,661	26,839	1,266,996	125,960	1,102,735	6,123,746
Community services	192,128	-	-	-	-	939	193,067
Nonprogrammed charges	925,074	-	-	-	-	73,053	998,127
Debt services	<u>-</u>	<u>-</u>	<u>2,277,950</u>	<u>-</u>	<u>-</u>	<u>166,328</u>	<u>2,444,278</u>
Total disbursements	<u>11,277,342</u>	<u>705,661</u>	<u>2,304,789</u>	<u>1,266,996</u>	<u>125,960</u>	<u>2,312,176</u>	<u>17,992,924</u>
Excess (deficiency) of receipts over disbursements	<u>1,040,843</u>	<u>27,260</u>	<u>1,819</u>	<u>(189,047)</u>	<u>(20,370)</u>	<u>14,746</u>	<u>875,251</u>
Other financing sources (uses):							
Transfers in	29,666	-	-	-	-	187,688	217,354
Transfers out	<u>(101,311)</u>	<u>(14,094)</u>	<u>(44,404)</u>	<u>(24,189)</u>	<u>(3,690)</u>	<u>(29,666)</u>	<u>(217,354)</u>
Total other financing sources (uses)	<u>(71,645)</u>	<u>(14,094)</u>	<u>(44,404)</u>	<u>(24,189)</u>	<u>(3,690)</u>	<u>158,022</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	969,198	13,166	(42,585)	(213,236)	(24,060)	172,768	875,251
Cash and investments - beginning	<u>1,719,331</u>	<u>311,818</u>	<u>445,543</u>	<u>858,956</u>	<u>80,345</u>	<u>527,891</u>	<u>3,943,884</u>
Cash and investments - ending	<u>\$ 2,688,529</u>	<u>\$ 324,984</u>	<u>\$ 402,958</u>	<u>\$ 645,720</u>	<u>\$ 56,285</u>	<u>\$ 700,659</u>	<u>\$ 4,819,135</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,688,529	\$ 324,984	\$ -	\$ 645,720	\$ 56,285	\$ 700,659	\$ 4,416,177
Restricted assets:							
Cash and investments	-	-	402,958	-	-	-	402,958
Total cash and investment assets - ending	<u>\$ 2,688,529</u>	<u>\$ 324,984</u>	<u>\$ 402,958</u>	<u>\$ 645,720</u>	<u>\$ 56,285</u>	<u>\$ 700,659</u>	<u>\$ 4,819,135</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 402,958	\$ -	\$ -	\$ -	\$ 402,958
Unrestricted	<u>2,688,529</u>	<u>324,984</u>	<u>-</u>	<u>645,720</u>	<u>56,285</u>	<u>700,659</u>	<u>4,416,177</u>
Total cash and investment fund balance - ending	<u>\$ 2,688,529</u>	<u>\$ 324,984</u>	<u>\$ 402,958</u>	<u>\$ 645,720</u>	<u>\$ 56,285</u>	<u>\$ 700,659</u>	<u>\$ 4,819,135</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 2,149,722	\$ 556,271	\$ 1,816,278	\$ 692,751	\$ 3,518	\$ 832,657	\$ 6,051,197
Intermediate sources	551	-	-	-	-	5,375	5,926
State sources	9,138,501	-	-	-	-	152,067	9,290,568
Federal sources	-	-	-	-	-	1,504,398	1,504,398
Sale of property, adjustments and refunds	58,882	5,323	-	102,668	2,401	523	169,797
Total receipts	11,347,656	561,594	1,816,278	795,419	5,919	2,495,020	17,021,886
Disbursements:							
Current:							
Instruction	7,364,931	-	-	-	-	991,316	8,356,247
Support services	3,701,118	800,483	-	1,053,257	-	1,229,037	6,783,895
Community services	245,610	-	-	-	-	130	245,740
Nonprogrammed charges	1,010,550	-	-	-	-	61,499	1,072,049
Debt services	-	-	2,318,782	-	-	326,636	2,645,418
Total disbursements	12,322,209	800,483	2,318,782	1,053,257	-	2,608,618	19,103,349
Excess (deficiency) of receipts over disbursements	(974,553)	(238,889)	(502,504)	(257,838)	5,919	(113,598)	(2,081,463)
Other financing sources (uses):							
Transfers in	205,146	-	99,546	-	-	477,223	781,915
Transfers out	(300,000)	-	-	-	-	(481,915)	(781,915)
Total other financing sources (uses)	(94,854)	-	99,546	-	-	(4,692)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,069,407)	(238,889)	(402,958)	(257,838)	5,919	(118,290)	(2,081,463)
Cash and investments - beginning	2,688,529	324,984	402,958	645,720	56,285	700,659	4,819,135
Cash and investments - ending	<u>\$ 1,619,122</u>	<u>\$ 86,095</u>	<u>\$ -</u>	<u>\$ 387,882</u>	<u>\$ 62,204</u>	<u>\$ 582,369</u>	<u>\$ 2,737,672</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments - ending	<u>\$ 1,619,122</u>	<u>\$ 86,095</u>	<u>\$ -</u>	<u>\$ 387,882</u>	<u>\$ 62,204</u>	<u>\$ 582,369</u>	<u>\$ 2,737,672</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>1,619,122</u>	<u>86,095</u>	<u>-</u>	<u>387,882</u>	<u>62,204</u>	<u>582,369</u>	<u>2,737,672</u>
Total cash and investment fund balance - ending	<u>\$ 1,619,122</u>	<u>\$ 86,095</u>	<u>\$ -</u>	<u>\$ 387,882</u>	<u>\$ 62,204</u>	<u>\$ 582,369</u>	<u>\$ 2,737,672</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Investment earnings:			
Interest	\$ 54,702	\$ 4,463	
Deductions:			
Benefits	2,381,857	-	
Administrative and general	-	11,025	
Total deductions	2,381,857	11,025	
Excess (deficiency) of total additions over total deductions	(2,327,155)	(6,562)	
Cash and investment fund balance - beginning	3,200,000	133,341	
Cash and investment fund balance - ending	\$ 872,845	\$ 126,779	
Net assets:			
Cash and investments	\$ 872,845	\$ 126,779	\$ 45,858
Total net assets - cash and investment basis held in trust	\$ 872,845	\$ 126,779	\$ 45,858

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

KNOX COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Investment earnings:			
Interest	\$ -	\$ 4,499	
Deductions:			
Benefits	90,362	-	
Administrative and general	-	10,319	
Total deductions	90,362	10,319	
Excess (deficiency) of total additions over total deductions	(90,362)	(5,820)	
Cash and investment fund balance - beginning	872,845	126,779	
Cash and investment fund balance - ending	\$ 782,483	\$ 120,959	
Net assets:			
Cash and investments	\$ 782,483	\$ 120,959	\$ 45,780
Total net assets - cash and investment basis held in trust	\$ 782,483	\$ 120,959	\$ 45,780

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

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Knox Community School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with nine other school corporations in a joint venture to operate the North Central Area Vocational Cooperative (NCAVC) which was created for joint planning for future need, operating programs and service for vocational education. The School Corporation is obligated by contract to remit its proportional share annually to supplement the NCAVC budget. NCAVC's continued existence depends on continued funding by the member school corporations. Complete financial statements for the NCAVC can be obtained from NCAVC's administrative office located at the Culver Community School Corporation, PO Box 231, 222 North Ohio Street, Culver, Indiana, 46511.

The School Corporation is a participant with nine other school corporations in a joint venture to operate Joint Educational Service in Special Education Cooperative (JESSE) which was created to operate a comprehensive program of special education for children with special health care needs. The School Corporation is obligated by contract to remit its proportional share annually to supplement the JESSE budget. JESSE's continued existence depends on continued funding by the member school corporations. Complete financial statements for JESSE can be obtained from JESSE's administrative office located at the Culver Community School Corporation, 324 North Kingston Road, Plymouth, Indiana, 46563.

The School Corporation is a participant with forty-one other school corporations in a joint venture to operate the Northern Indiana Education Services Center (NIESC) which was created to assist member school corporations in providing educational programs and services. The School Corporation is obligated by contract to remit \$10,000 annually to supplement the NIESC budget. Complete financial statements for NIESC can be obtained from its administrative office located at 56535 Magnetic Drive, Mishawaka, Indiana, 46545.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the City of Knox Park Board and the Henry F. Schricker Library Board.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust fund account for the activities of the Pension Retirement/Severance Bond, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students in the form of scholarships.

Agency funds account for assets held by the School Corporation as an agent for state and federal taxing authorities, various employee benefit providers and service as control accounts for certain cash transactions during a time they are a liability to the school corporation.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ 101,311	\$ 300,000
Debt Service Fund	Other governmental funds	44,404	-
Capital Projects Fund	Other governmental funds	24,189	-
Transportation Operating Fund	Other governmental funds	14,094	-
School Bus Replacement Fund	Other governmental funds	3,690	-
Other governmental funds	General Fund	29,666	205,146
Other governmental funds	Debt Service Fund	-	99,546
Other governmental funds	Other governmental funds	-	177,223
Totals		<u>\$ 217,354</u>	<u>\$ 781,915</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. New Funds represents the inclusion of existing funds which were not presented in the prior report.

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	Prior Period Adjustments	Balance as Restated January 1, 2007
Special Revenue	<u>\$ 39,502</u>	Private-Purpose	<u>\$ 93,839</u>	<u>\$ 133,341</u>

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The 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 (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims have not exceeded commercial insurance coverage for the last three years. There is no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Knox Community 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 07-08 school year totaled \$2,245,357.

C. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical, vision and dental benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 50 with at least 10 years of service. Currently 13 retirees meet these eligibility requirements. The School Corporation and retirees provide 52% and 48%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized as a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$70,216 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 83,848
Interest on net pension obligation	(10,741)
Adjustment to annual required contribution	12,240
Annual pension cost	85,347
Contributions made	95,442
Increase (decrease) in net pension obligation	(10,095)
Net pension obligation, beginning of year	(148,151)
Net pension obligation, end of year	\$ (158,246)

	PERF
Contribution rates:	
School Corporation	8.2%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 93,954	119%	\$ (146,730)
	06-30-06	99,177	101%	(148,151)
	06-30-07	85,347	112%	(158,246)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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

KNOX COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$241,109, \$197,151, and \$205,600, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

KNOX COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,964,742	\$ 2,027,049	\$ (62,307)	97%	\$ 1,787,822	(3%)
07-01-06	2,067,520	1,866,588	200,932	111%	1,519,485	13%
07-01-07	2,072,402	1,770,711	301,691	117%	1,486,745	20%

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education/ Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates
Receipts:						
Local sources	\$ 7,767	\$ -	\$ 305,256	\$ 90,287	\$ -	\$ -
Intermediate sources	-	-	-	-	-	525
State sources	30,825	-	7,630	64,232	-	-
Federal sources	-	-	541,962	-	-	-
Sale of property, adjustments and refunds	-	-	278	-	-	-
Total receipts	38,592	-	855,126	154,519	-	525
Disbursements:						
Current:						
Instruction	-	-	-	-	-	2,200
Support services	-	5,625	849,848	131,231	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	49,553	-	23,500	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	49,553	5,625	873,348	131,231	-	2,200
Excess (deficiency) of receipts over disbursements	(10,961)	(5,625)	(18,222)	23,288	-	(1,675)
Other financing sources (uses):						
Transfers in	2,886	-	-	-	134,543	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	2,886	-	-	-	134,543	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,075)	(5,625)	(18,222)	23,288	134,543	(1,675)
Cash and investments - beginning	8,075	24,001	187,226	38,847	-	4,900
Cash and investments - ending	\$ -	\$ 18,376	\$ 169,004	\$ 62,135	\$ 134,543	\$ 3,225
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 18,376	\$ 169,004	\$ 62,135	\$ 134,543	\$ 3,225
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 18,376	\$ 169,004	\$ 62,135	\$ 134,543	\$ 3,225

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Alternative Education Grant	Gifted & Talented Grant 06/07	Gifted & Talented Grant 05/06	Step Ahead	Medical Reimbursement	Non-English Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	13,867	-	-	-	293
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	13,867	-	-	-	293
Disbursements:						
Current:						
Instruction	34	13,867	4,626	-	-	-
Support services	-	-	-	-	-	-
Community services	-	-	-	939	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	34	13,867	4,626	939	-	-
Excess (deficiency) of receipts over disbursements	(34)	-	(4,626)	(939)	-	293
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	(34)	-	(4,626)	(939)	-	293
Cash and investments - beginning	10,916	-	4,626	939	86	-
Cash and investments - ending	<u>\$ 10,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 293</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 10,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 293</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 10,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 293</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Technology Grant	Tophat	21st Century Scholars	Miscellaneous Technology	Wellness Program	ACE 05/06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 22,800	\$ -	\$ 40,051
Intermediate sources	-	-	-	-	-	-
State sources	85,454	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	(852)	-	130	-
Total receipts	85,454	-	(852)	22,800	130	40,051
Disbursements:						
Current:						
Instruction	-	33	-	-	-	13,904
Support services	-	1,852	-	22,608	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	1,885	-	22,608	-	13,904
Excess (deficiency) of receipts over disbursements	85,454	(1,885)	(852)	192	130	26,147
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(218)
Total other financing sources (uses)	-	-	-	-	-	(218)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	85,454	(1,885)	(852)	192	130	25,929
Cash and investments - beginning	-	21,004	852	-	-	(25,929)
Cash and investments - ending	\$ 85,454	\$ 19,119	\$ -	\$ 192	\$ 130	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 85,454	\$ 19,119	\$ -	\$ 192	\$ 130	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 85,454	\$ 19,119	\$ -	\$ 192	\$ 130	\$ -

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Starke United	Vocational Trades 06/07	Title 1 06/07	Title 1 05/06	Title V Part A 05/06	Title V Part A 06/07
Receipts:						
Local sources	\$ -	\$ 172,275	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	382,877	34,250	-	3,447
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	172,275	382,877	34,250	-	3,447
Disbursements:						
Current:						
Instruction	-	172,275	282,963	93,927	-	-
Support services	-	-	3,921	29,103	-	2,520
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	172,275	286,884	123,030	-	2,520
Excess (deficiency) of receipts over disbursements	-	-	95,993	(88,780)	-	927
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(12,026)	(9,651)	-	-
Total other financing sources (uses)	-	-	(12,026)	(9,651)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	83,967	(98,431)	-	927
Cash and investments - beginning	927	-	-	98,431	3,511	-
Cash and investments - ending	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 83,967</u>	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 927</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 83,967</u>	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 927</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 83,967</u>	<u>\$ -</u>	<u>\$ 3,511</u>	<u>\$ 927</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Career Awareness 06/07	Drug Free Schools 04/05	Drug Free Schools 06/07	Drug Free Schools 05/06	Title II Part A 05/06	Title II Part A 06/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	7,714	-	9,629	-	20,699	110,310
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	7,714	-	9,629	-	20,699	110,310
Disbursements:						
Current:						
Instruction	7,714	106	148	796	85,276	15,016
Support services	-	1,485	1,035	7,611	9,205	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	7,714	1,591	1,183	8,407	94,481	15,016
Excess (deficiency) of receipts over disbursements	-	(1,591)	8,446	(8,407)	(73,782)	95,294
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(313)	-	(3,200)	(4,258)
Total other financing sources (uses)	-	-	(313)	-	(3,200)	(4,258)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,591)	8,133	(8,407)	(76,982)	91,036
Cash and investments - beginning	-	1,591	-	12,147	80,506	-
Cash and investments - ending	\$ -	\$ -	\$ 8,133	\$ 3,740	\$ 3,524	\$ 91,036
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 8,133	\$ 3,740	\$ 3,524	\$ 91,036
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 8,133	\$ 3,740	\$ 3,524	\$ 91,036

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Technology Part D 05/06	Title II Technology Part D 06/07	Reading First Title I 06/07	Reading First Title I 05/06	Severance Bond/Debt	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 140,038	\$ 778,474
Intermediate sources	-	-	-	-	-	525
State sources	-	-	-	-	-	202,301
Federal sources	-	-	188,090	47,088	-	1,346,066
Sale of property, adjustments and refunds	-	-	-	-	-	(444)
Total receipts	-	-	188,090	47,088	140,038	2,326,922
Disbursements:						
Current:						
Instruction	203	-	212,059	63,974	-	969,121
Support services	3,557	7,092	-	26,042	-	1,102,735
Community services	-	-	-	-	-	939
Nonprogrammed charges	-	-	-	-	-	73,053
Debt services	-	-	-	-	166,328	166,328
Total disbursements	3,760	7,092	212,059	90,016	166,328	2,312,176
Excess (deficiency) of receipts over disbursements	(3,760)	(7,092)	(23,969)	(42,928)	(26,290)	14,746
Other financing sources (uses):						
Transfers in	-	-	23,969	-	26,290	187,688
Transfers out	-	-	-	-	-	(29,666)
Total other financing sources (uses)	-	-	23,969	-	26,290	158,022
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,760)	(7,092)	-	(42,928)	-	172,768
Cash and investments - beginning	3,760	8,547	-	42,928	-	527,891
Cash and investments - ending	\$ -	\$ 1,455	\$ -	\$ -	\$ -	\$ 700,659
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,455	\$ -	\$ -	\$ -	\$ 700,659
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 1,455	\$ -	\$ -	\$ -	\$ 700,659

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education/ Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education Grant
Receipts:							
Local sources	\$ 5,276	\$ -	\$ 316,612	\$ 72,284	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	375	-
State sources	41,901	-	7,684	66,227	-	-	-
Federal sources	-	-	548,150	-	-	-	-
Sale of property, adjustments and refunds	-	-	523	-	-	-	-
Total receipts	47,177	-	872,969	138,511	-	375	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	844,629	137,583	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	37,999	-	23,500	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	37,999	-	868,129	137,583	-	-	-
Excess (deficiency) of receipts over disbursements	9,178	-	4,840	928	-	375	-
Other financing sources (uses):							
Transfers in	-	300,000	-	-	-	-	-
Transfers out	(3,053)	(207,987)	-	-	(134,543)	-	-
Total other financing sources (uses)	(3,053)	92,013	-	-	(134,543)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,125	92,013	4,840	928	(134,543)	375	-
Cash and investments - beginning	-	18,376	169,004	62,135	134,543	3,225	10,882
Cash and investments - ending	<u>\$ 6,125</u>	<u>\$ 110,389</u>	<u>\$ 173,844</u>	<u>\$ 63,063</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 10,882</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 6,125	\$ 110,389	\$ 173,844	\$ 63,063	\$ -	\$ 3,600	\$ 10,882
Cash and Investment Fund Balance - Ending							
Unrestricted	6,125	110,389	173,844	63,063	-	3,600	10,882
Total cash and investment fund balance - ending	<u>\$ 6,125</u>	<u>\$ 110,389</u>	<u>\$ 173,844</u>	<u>\$ 63,063</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 10,882</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Gifted & Talented Grant 07/08	Medical Reimbursement	Non-English Grant	Technology Grant	Tophat	Miscellaneous Technology	Wellness Program
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,400	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	34,146	-	2,109	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	34,146	-	2,109	-	-	68,400	-
Disbursements:							
Current:							
Instruction	18,810	-	-	-	3,644	-	-
Support services	-	-	-	83,863	502	67,824	-
Community services	-	-	-	-	-	-	130
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	18,810	-	-	83,863	4,146	67,824	130
Excess (deficiency) of receipts over disbursements	15,336	-	2,109	(83,863)	(4,146)	576	(130)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(86)	-	-	-	-	-
Total other financing sources (uses)	-	(86)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,336	(86)	2,109	(83,863)	(4,146)	576	(130)
Cash and investments - beginning	-	86	293	85,454	19,119	192	130
Cash and investments - ending	<u>\$ 15,336</u>	<u>\$ -</u>	<u>\$ 2,402</u>	<u>\$ 1,591</u>	<u>\$ 14,973</u>	<u>\$ 768</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 15,336	\$ -	\$ 2,402	\$ 1,591	\$ 14,973	\$ 768	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	15,336	-	2,402	1,591	14,973	768	-
Total cash and investment fund balance - ending	<u>\$ 15,336</u>	<u>\$ -</u>	<u>\$ 2,402</u>	<u>\$ 1,591</u>	<u>\$ 14,973</u>	<u>\$ 768</u>	<u>\$ -</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Drug & Tobacco Free	Starke United	Vocational Trades 07/08	Title I 06/07	Title I 07/08	Title V Part A 05/06	Title V Part A 06/07
Receipts:							
Local sources	\$ -	\$ -	\$ 125,600	\$ -	\$ -	\$ -	\$ -
Intermediate sources	5,000	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	33,000	447,015	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	5,000	-	125,600	33,000	447,015	-	-
Disbursements:							
Current:							
Instruction	50	-	125,600	70,924	396,698	3,511	-
Support services	2,679	-	-	13,838	2,041	-	629
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	2,729	-	125,600	84,762	398,739	3,511	629
Excess (deficiency) of receipts over disbursements	2,271	-	-	(51,762)	48,276	(3,511)	(629)
Other financing sources (uses):							
Transfers in	-	-	-	-	32,205	-	-
Transfers out	-	-	-	(32,205)	(17,205)	-	-
Total other financing sources (uses)	-	-	-	(32,205)	15,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,271	-	-	(83,967)	63,276	(3,511)	(629)
Cash and investments - beginning	-	927	-	83,967	-	3,511	927
Cash and investments - ending	<u>\$ 2,271</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,276</u>	<u>\$ -</u>	<u>\$ 298</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,271	\$ 927	\$ -	\$ -	\$ 63,276	\$ -	\$ 298
Cash and Investment Fund Balance - Ending							
Unrestricted	2,271	927	-	-	63,276	-	298
Total cash and investment fund balance - ending	<u>\$ 2,271</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,276</u>	<u>\$ -</u>	<u>\$ 298</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title V Part A 07/08	Career Awareness 06/07	Drug Free Schools 06/07	Drug Free Schools 05/06	Drug Free Schools 07/08	Title II Part A 07/08	Title II Part A 05/06
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	3,423	7,714	-	-	9,623	118,296	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	3,423	7,714	-	-	9,623	118,296	-
Disbursements:							
Current:							
Instruction	34,899	3,989	138	-	-	32,250	272
Support services	-	-	4,544	3,740	75	257	3,252
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	34,899	3,989	4,682	3,740	75	32,507	3,524
Excess (deficiency) of receipts over disbursements	(31,476)	3,725	(4,682)	(3,740)	9,548	85,789	(3,524)
Other financing sources (uses):							
Transfers in	36,577	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(36,577)	-
Total other financing sources (uses)	36,577	-	-	-	-	(36,577)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,101	3,725	(4,682)	(3,740)	9,548	49,212	(3,524)
Cash and investments - beginning	-	-	8,133	3,740	-	-	3,524
Cash and investments - ending	<u>\$ 5,101</u>	<u>\$ 3,725</u>	<u>\$ 3,451</u>	<u>\$ -</u>	<u>\$ 9,548</u>	<u>\$ 49,212</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 5,101	\$ 3,725	\$ 3,451	\$ -	\$ 9,548	\$ 49,212	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	5,101	3,725	3,451	-	9,548	49,212	-
Total cash and investment fund balance - ending	<u>\$ 5,101</u>	<u>\$ 3,725</u>	<u>\$ 3,451</u>	<u>\$ -</u>	<u>\$ 9,548</u>	<u>\$ 49,212</u>	<u>\$ -</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Part A 06/07	Title II Technology Part D 06/07	Reading First Summer School 06/07	Reading First Title I 06/07	Reading First Title I 07/08	Severance Bond/Debt	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,485	\$ 832,657
Intermediate sources	-	-	-	-	-	-	5,375
State sources	-	-	-	-	-	-	152,067
Federal sources	20,310	-	30,000	93,032	193,835	-	1,504,398
Sale of property, adjustments and refunds	-	-	-	-	-	-	523
Total receipts	20,310	-	30,000	93,032	193,835	244,485	2,495,020
Disbursements:							
Current:							
Instruction	38,097	-	30,000	69,063	163,371	-	991,316
Support services	62,126	1,455	-	-	-	-	1,229,037
Community services	-	-	-	-	-	-	130
Nonprogrammed charges	-	-	-	-	-	-	61,499
Debt services	-	-	-	-	-	326,636	326,636
Total disbursements	100,223	1,455	30,000	69,063	163,371	326,636	2,608,618
Excess (deficiency) of receipts over disbursements	(79,913)	(1,455)	-	23,969	30,464	(82,151)	(113,598)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	108,441	477,223
Transfers out	-	-	-	(23,969)	-	(26,290)	(481,915)
Total other financing sources (uses)	-	-	-	(23,969)	-	82,151	(4,692)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(79,913)	(1,455)	-	-	30,464	-	(118,290)
Cash and investments - beginning	91,036	1,455	-	-	-	-	700,659
Cash and investments - ending	<u>\$ 11,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 582,369</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 11,123	\$ -	\$ -	\$ -	\$ 30,464	\$ -	\$ 582,369
Cash and Investment Fund Balance - Ending							
Unrestricted	11,123	-	-	-	30,464	-	582,369
Total cash and investment fund balance - ending	<u>\$ 11,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,464</u>	<u>\$ -</u>	<u>\$ 582,369</u>

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

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Dr Browne Instructional	Intell Scholarship	John E Milner Scholarship	Paul & Emily Reed Scholarship	Janet Miller Memorial Scholarship
Additions:					
Investment earnings:					
Interest	\$ 2,025	\$ 4	\$ 56	\$ 83	\$ -
Deductions:					
Administrative and general	22	-	1,000	2,500	-
Excess (deficiency) of total additions over total deductions	2,003	4	(944)	(2,417)	-
Cash and investment fund balance - beginning	11,688	1,063	14,015	23,292	1
Cash and investments - June 30	\$ 13,691	\$ 1,067	\$ 13,071	\$ 20,875	\$ 1
Net assets:					
Cash and investments	\$ 13,691	\$ 1,067	\$ 13,071	\$ 20,875	\$ 1
Total net assets - cash and investment basis held in trust	\$ 13,691	\$ 1,067	\$ 13,071	\$ 20,875	\$ 1

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Lynn Milner Wamsley Scholarship	Joe & Delores Gurrado Scholarship	Paul & Catherine Reed Scholarship	H. Weinberg Scholarship Trust	Dr. Browne Scholarships
Additions:					
Investment earnings:					
Interest	\$ 78	\$ -	\$ 83	\$ 63	\$ 2,042
Deductions:					
Administrative and general	1,000	1,000	2,500	200	2,000
Excess (deficiency) of total additions over total deductions	(922)	(1,000)	(2,417)	(137)	42
Cash and investment fund balance - beginning	19,464	1,012	23,304	15,835	15,777
Cash and investments - June 30	<u>\$ 18,542</u>	<u>\$ 12</u>	<u>\$ 20,887</u>	<u>\$ 15,698</u>	<u>\$ 15,819</u>
Net assets:					
Cash and investments	\$ 18,542	\$ 12	\$ 20,887	\$ 15,698	\$ 15,819
Total net assets - cash and investment basis held in trust	<u>\$ 18,542</u>	<u>\$ 12</u>	<u>\$ 20,887</u>	<u>\$ 15,698</u>	<u>\$ 15,819</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	KMS NJHS Scholarship	C James Scholarship Interest	Myers Memorial Interest	CIS Donation 05/06	Totals
Additions:					
Investment earnings:					
Interest	\$ 2	\$ 20	\$ 7	\$ -	\$ 4,463
Deductions:					
Administrative and general	-	200	-	603	11,025
Excess (deficiency) of total additions over total deductions	2	(180)	7	(603)	(6,562)
Cash and investment fund balance - beginning	494	4,877	1,848	671	133,341
Cash and investments - June 30	<u>\$ 496</u>	<u>\$ 4,697</u>	<u>\$ 1,855</u>	<u>\$ 68</u>	<u>\$ 126,779</u>
Net assets:					
Cash and investments	\$ 496	\$ 4,697	\$ 1,855	\$ 68	\$ 126,779
Total net assets - cash and investment basis held in trust	<u>\$ 496</u>	<u>\$ 4,697</u>	<u>\$ 1,855</u>	<u>\$ 68</u>	<u>\$ 126,779</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Dr. Browne Instructional	Intell Scholarship	John E. Milner Scholarship	Paul & Emily Reed Scholarship	Janet Milner Memorial Scholarship
Additions:					
Investment earnings:					
Interest	\$ 2,030	\$ 4	\$ 60	\$ 89	\$ -
Deductions:					
Administrative and general	371	250	1,000	2,500	-
Excess (deficiency) of total additions over total deductions	1,659	(246)	(940)	(2,411)	-
Cash and investment fund balance - beginning	13,691	1,067	13,071	20,875	1
Cash and investments - June 30	<u>\$ 15,350</u>	<u>\$ 821</u>	<u>\$ 12,131</u>	<u>\$ 18,464</u>	<u>\$ 1</u>
Net assets:					
Cash and investments	\$ 15,350	\$ 821	\$ 12,131	\$ 18,464	\$ 1
Total net assets - cash and investment basis held in trust	<u>\$ 15,350</u>	<u>\$ 821</u>	<u>\$ 12,131</u>	<u>\$ 18,464</u>	<u>\$ 1</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Lynn Milner Wamsley Scholarship	Joe & Delores Gurrado Scholarship	Paul & Catherine Reed Scholarship	H. Weinberg Scholarship Trust	Dr. Browne Scholarships
Additions:					
Investment earnings:					
Interest	\$ 84	\$ -	\$ 89	\$ 71	\$ 2,041
Deductions:					
Administrative and general	1,000	-	2,500	200	2,000
Excess (deficiency) of total additions over total deductions	(916)	-	(2,411)	(129)	41
Cash and investment fund balance - beginning	18,542	12	20,887	15,698	15,819
Cash and investments - June 30	<u>\$ 17,626</u>	<u>\$ 12</u>	<u>\$ 18,476</u>	<u>\$ 15,569</u>	<u>\$ 15,860</u>
Net assets:					
Cash and investments	\$ 17,626	\$ 12	\$ 18,476	\$ 15,569	\$ 15,860
Total net assets - cash and investment basis held in trust	<u>\$ 17,626</u>	<u>\$ 12</u>	<u>\$ 18,476</u>	<u>\$ 15,569</u>	<u>\$ 15,860</u>

KNOX COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	KMS NJHS Scholarship	C James Scholarship Interest	Myers Memorial Interest	CIS Donation 05/06	Totals
Additions:					
Investment earnings:					
Interest	\$ 2	\$ 21	\$ 8	\$ -	\$ 4,499
Deductions:					
Administrative and general	498	-	-	-	10,319
Excess (deficiency) of total additions over total deductions	(496)	21	8	-	(5,820)
Cash and investment fund balance - beginning	496	4,697	1,855	68	126,779
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 4,718</u>	<u>\$ 1,863</u>	<u>\$ 68</u>	<u>\$ 120,959</u>
Net assets:					
Cash and investments	\$ -	\$ 4,718	\$ 1,863	\$ 68	\$ 120,959
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 4,718</u>	<u>\$ 1,863</u>	<u>\$ 68</u>	<u>\$ 120,959</u>

KNOX COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,072,200
Buildings	35,238,582
Improvements other than buildings	2,706,814
Machinery and equipment	<u>3,745,516</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 43,763,112</u>

KNOX COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended June 30, 2008

The Knox Community School Corporation has entered into the following long-term debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Knox Middle School	\$ 14,782,706	\$ 1,033,566
Energy Savings	959,265	396,787
Notes and loans payable	689,750	71,645
Bonds payable:		
General obligation bonds:		
Pension Bond	2,990,000	165,329
Total governmental activities long-term debt	\$ 19,421,721	\$ 1,667,327

KNOX COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

TRAVEL POLICY

The Knox Community School Corporation has a policy concerning reimbursement for travel. However, the School Corporation did not always follow the policy. One travel claim reviewed paid more than the \$50 per day maximum allowable for meals.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Knox Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the Knox Community School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 29, 2009

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through-Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 184,448	\$ 181,423
National School Lunch Program	10.555		<u>404,489</u>	<u>394,488</u>
Total for federal grantor agency			<u>588,937</u>	<u>575,911</u>
U.S. DEPARTMENT OF EDUCATION				
Pass Through-Indiana Department of Education				
Title 1 Grants to Local Educational Agencies				
06-07525			132,681	-
07-07525			298,910	116,967
08-07525			<u>-</u>	<u>415,944</u>
Total for program			<u>431,591</u>	<u>532,911</u>
Career and Technical Education - Basic Grants to States	84.048		<u>7,714</u>	<u>3,989</u>
Safe and Drug Free Schools and Communities - State Grants	84.186		-	-
04-028			1,591	-
05-013			8,407	3,740
7525-06			1,496	4,682
7525-07			<u>-</u>	<u>75</u>
Total for program			<u>11,494</u>	<u>8,497</u>
State Grants for Innovative Programs	84.298		-	3,512
05-106			-	629
06-7525			2,520	-
07-7525			<u>-</u>	<u>34,899</u>
Total for program			<u>2,520</u>	<u>39,040</u>
Education Technology State Grants	84.318		-	-
05/06			<u>3,760</u>	<u>-</u>
Reading First State Grants	84.357		90,016	-
05/06			212,059	93,032
06/07			-	30,000
06/07 Summer School			-	163,370
07/08			<u>-</u>	<u>-</u>
Total for program			<u>302,075</u>	<u>286,402</u>
Rural Education	84.358		<u>7,092</u>	<u>1,455</u>
Improving Teacher Quality State Grants	84.367		97,680	3,525
05/06			19,274	100,223
06/07			-	69,084
07/08			<u>-</u>	<u>-</u>
Total for program			<u>116,954</u>	<u>172,832</u>
Total for federal grantor agency			<u>883,200</u>	<u>1,045,126</u>
Total federal awards expended			<u>\$ 1,472,137</u>	<u>\$ 1,621,037</u>

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Knox Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ 14,712	\$ 8,745
National School Lunch Program	10.555	32,263	19,016

KNOX COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

KNOX COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

KNOX COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2009, with Kimberly Knott, Superintendent of Schools; Sherry Sue Fort, Treasurer; and Mike Yankauskas, School Board member. The official response has been made a part of this report and may be found on page 53.



Mr. A.J. Gappa, Superintendent

(574) 772-1601
FAX: (574) 772-1608
Email: ajgappa@knox.k12.in.us

TO: State Board of Accounts
FROM: Knox Community Schools

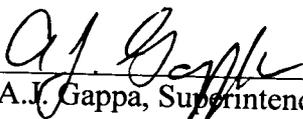
DATE: February 3, 2009
RE: Response to Audit

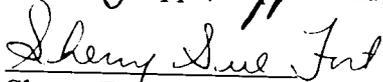
This explanation is written in response to the audit citation on the Travel Policy for the Knox Community Schools for the period beginning July 1, 2006 through June 30, 2008.

The Travel Policy consists of the Board Policy and the Administrative Guidelines. It was the daily meal limit of \$50.00 in the Administrative Guidelines that was exceeded on one of the claims being examined. We immediately called the outdated guideline to the Board's attention and asked that the daily limit be increased. As a result, the Board of School Trustees increased the daily meal limit to \$60.00. Additionally, the Board removed the outdated dollar limit for lodging completely, acknowledging that hotel rates vary greatly depending on the location of the conference or seminar.

In addition, the conference leave request forms have been updated and a column has been added on the initial request form that requires the employee's supervisor to approve or adjust each expense for which reimbursement is being requested. All administrators have been informed and trained in the use of these new forms. Lastly, the Superintendent of Schools will approve and sign off on the request form as yet another internal control on travel expenses.

In summary, we thank the auditors for calling our attention to the outdated guidelines so that we could take immediate corrective action.


Mr. A.J. Gappa, Superintendent


Sherry Fort, Treasurer