

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

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



**FILED**

06/30/2009



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra Beaman	07-01-06 to 06-30-09
Superintendent of Schools	Joseph H. Adams	07-01-06 to 06-30-11
President of the School Board	Frank Hall Vaughn Huey Max Nickless	07-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Knox 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 pre-scribed 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 June 4, 2008, 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, is not a required part 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

June 9, 2009



**STATE OF INDIANA**  
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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 NORTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Knox 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 June 9, 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.

We noted certain matters that we reported to management in a separate letter dated June 9, 2009.

This report is intended solely for the information and use of the School Corporation's management, 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

June 9, 2009

NORTH KNOX 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	\$ 7,260,958	\$ -	\$ 52,718	\$ (7,208,240)
Support services	4,508,194	317,014	347,357	(3,843,823)
Community services	30,557	-	-	(30,557)
Nonprogrammed charges	368,431	-	-	(368,431)
Debt service	<u>1,216,058</u>	<u>-</u>	<u>-</u>	<u>(1,216,058)</u>
Total government	<u>\$ 13,384,198</u>	<u>\$ 317,014</u>	<u>\$ 400,075</u>	<u>(12,667,109)</u>
General receipts:				
Property taxes				2,405,132
Other local sources				482,185
State aid				6,859,929
Bonds and loans				60,000
Grants and contributions not restricted to specific programs				809,004
Sale of property, adjustments, and refunds				59,855
Investment earnings				<u>225,719</u>
Total general receipts				<u>10,901,824</u>
Change in net assets				(1,765,285)
Net assets - beginning				<u>7,035,522</u>
Net assets - ending				<u>\$ 5,270,237</u>
<u>Assets</u>				
Cash and investments				\$ 3,572,690
Restricted assets:				
Cash and investments				<u>1,697,547</u>
Total assets				<u>\$ 5,270,237</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 330,416
Other purposes				1,367,131
Unrestricted				<u>3,572,690</u>
Total net assets				<u>\$ 5,270,237</u>

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

NORTH KNOX 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	\$ 7,516,416	\$ -	\$ 160,131	\$ (7,356,285)
Support services	5,254,893	305,050	406,713	(4,543,130)
Community services	213,277	-	-	(213,277)
Nonprogrammed charges	264,781	-	-	(264,781)
Debt service	891,805	-	-	(891,805)
	<u>\$ 14,141,172</u>	<u>\$ 305,050</u>	<u>\$ 566,844</u>	<u>(13,269,278)</u>
Total government				
General receipts:				
Property taxes				4,677,233
Other local sources				710,149
State aid				6,559,658
Grants and contributions not restricted to specific programs				806,472
Sale of property, adjustments, and refunds				20,799
Investment earnings				242,611
Transfers				243
				<u>13,017,165</u>
Total general receipts and transfers				
				(252,113)
Change in net assets				
Net assets - beginning				<u>5,270,237</u>
Net assets - ending				<u>\$ 5,018,124</u>
<u>Assets</u>				
Cash and investments				\$ 3,592,717
Restricted assets:				
Cash and investments				<u>1,425,407</u>
Total assets				<u>\$ 5,018,124</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 1,425,407
Unrestricted				<u>3,592,717</u>
Total net assets				<u>\$ 5,018,124</u>

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

NORTH KNOX 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	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 1,503,137	\$ 513,541	\$ -	\$ 352,875	\$ 463,779	\$ 9,256	\$ 585,556	\$ 3,428,144
Intermediate sources	912	-	-	-	-	-	994	1,906
State sources	6,899,713	-	-	-	-	-	167,869	7,067,582
Federal sources	11,972	-	-	-	-	-	989,454	1,001,426
Bonds and loans	-	-	-	-	-	60,000	-	60,000
Sale of property, adjustments and refunds	31,171	-	-	-	28,684	-	-	59,855
<b>Total receipts</b>	<b>8,446,905</b>	<b>513,541</b>	<b>-</b>	<b>352,875</b>	<b>492,463</b>	<b>69,256</b>	<b>1,743,873</b>	<b>11,618,913</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	6,892,561	-	44,898	-	-	-	698,654	7,636,113
Support services	1,852,071	967,071	-	-	950,995	-	738,057	4,508,194
Community services	199,755	-	-	-	-	-	672	200,427
Nonprogrammed charges	247,676	-	-	20,183	-	-	100,572	368,431
Debt services	-	60,000	-	702,794	-	-	453,264	1,216,058
<b>Total disbursements</b>	<b>9,192,063</b>	<b>1,027,071</b>	<b>44,898</b>	<b>722,977</b>	<b>950,995</b>	<b>-</b>	<b>1,991,219</b>	<b>13,929,223</b>
Excess (deficiency) of receipts over disbursements	(745,158)	(513,530)	(44,898)	(370,102)	(458,532)	69,256	(247,346)	(2,310,310)
<b>Other financing sources (uses):</b>								
Transfers in	2,262	-	-	-	-	-	94,778	97,040
Transfers out	(1,175)	-	-	-	-	-	(95,865)	(97,040)
<b>Total other financing sources (uses)</b>	<b>1,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,087)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(744,071)	(513,530)	(44,898)	(370,102)	(458,532)	69,256	(248,433)	(2,310,310)
Cash and investments - beginning	2,782,789	906,477	688,928	836,733	301,705	160,682	536,102	6,213,416
Cash and investments - ending	\$ 2,038,718	\$ 392,947	\$ 644,030	\$ 466,631	\$ (156,827)	\$ 229,938	\$ 287,669	3,903,106
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								1,367,131
Net assets of governmental activities								\$ 5,270,237
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 2,038,718	\$ 392,947	\$ 644,030	\$ -	\$ (156,827)	\$ 229,938	\$ 423,884	\$ 3,572,690
Restricted assets:								
Cash and investments	-	-	-	466,631	-	-	(136,215)	330,416
<b>Total cash and investment assets - ending</b>	<b>\$ 2,038,718</b>	<b>\$ 392,947</b>	<b>\$ 644,030</b>	<b>\$ 466,631</b>	<b>\$ (156,827)</b>	<b>\$ 229,938</b>	<b>\$ 287,669</b>	<b>\$ 3,903,106</b>
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 466,631	\$ -	\$ -	\$ (136,215)	\$ 330,416
Unrestricted	2,038,718	392,947	644,030	-	(156,827)	229,938	423,884	3,572,690
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,038,718</b>	<b>\$ 392,947</b>	<b>\$ 644,030</b>	<b>\$ 466,631</b>	<b>\$ (156,827)</b>	<b>\$ 229,938</b>	<b>\$ 287,669</b>	<b>\$ 3,903,106</b>

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

NORTH KNOX 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	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 2,620,872	\$ 1,109,653	\$ -	\$ 211,465	\$ 1,044,687	\$ 217,270	\$ 681,176	\$ 5,885,123
Intermediate sources	266	-	-	-	-	-	488	754
State sources	6,688,295	-	-	-	-	-	129,125	6,817,420
Federal sources	6,042	-	-	-	-	-	1,109,511	1,115,553
Sale of property, adjustments and refunds	20,799	-	-	-	-	-	-	20,799
<b>Total receipts</b>	<b>9,336,274</b>	<b>1,109,653</b>	<b>-</b>	<b>211,465</b>	<b>1,044,687</b>	<b>217,270</b>	<b>1,920,300</b>	<b>13,839,649</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	6,872,626	-	22,680	-	-	-	770,132	7,665,438
Support services	2,179,881	1,105,027	24,948	-	1,007,738	85,243	852,056	5,254,893
Community services	213,277	-	-	-	-	-	-	213,277
Nonprogrammed charges	214,139	-	-	-	-	-	50,642	264,781
Debt services	-	-	-	593,717	-	-	298,088	891,805
<b>Total disbursements</b>	<b>9,479,923</b>	<b>1,105,027</b>	<b>47,628</b>	<b>593,717</b>	<b>1,007,738</b>	<b>85,243</b>	<b>1,970,918</b>	<b>14,290,194</b>
Excess (deficiency) of receipts over disbursements	(143,649)	4,626	(47,628)	(382,252)	36,949	132,027	(50,618)	(450,545)
<b>Other financing sources (uses):</b>								
Transfers in	5,415	-	1,251,940	-	-	-	60,804	1,318,159
Transfers out	(928,419)	(114,597)	-	(85,917)	(94,507)	(28,500)	(65,976)	(1,317,916)
<b>Total other financing sources (uses)</b>	<b>(923,004)</b>	<b>(114,597)</b>	<b>1,251,940</b>	<b>(85,917)</b>	<b>(94,507)</b>	<b>(28,500)</b>	<b>(5,172)</b>	<b>243</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,066,653)	(109,971)	1,204,312	(468,169)	(57,558)	103,527	(55,790)	(450,302)
Cash and investments - beginning	2,038,718	392,947	644,030	466,631	(156,827)	229,938	287,669	3,903,106
Cash and investments - ending	\$ 972,065	\$ 282,976	\$ 1,848,342	\$ (1,538)	\$ (214,385)	\$ 333,465	\$ 231,879	3,452,804
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								1,565,320
Net assets of governmental activities								\$ 5,018,124
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 972,065	\$ 282,976	\$ 1,848,342	\$ -	\$ (214,385)	\$ 333,465	\$ 370,254	\$ 3,592,717
Restricted assets:								
Cash and investments	-	-	-	(1,538)	-	-	(138,375)	(139,913)
<b>Total cash and investment assets - ending</b>	<b>\$ 972,065</b>	<b>\$ 282,976</b>	<b>\$ 1,848,342</b>	<b>\$ (1,538)</b>	<b>\$ (214,385)</b>	<b>\$ 333,465</b>	<b>\$ 231,879</b>	<b>\$ 3,452,804</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ (1,538)	\$ -	\$ -	\$ (138,375)	\$ (139,913)
Unrestricted	972,065	282,976	1,848,342	-	(214,385)	333,465	370,254	3,592,717
<b>Total cash and investment fund balance - ending</b>	<b>\$ 972,065</b>	<b>\$ 282,976</b>	<b>\$ 1,848,342</b>	<b>\$ (1,538)</b>	<b>\$ (214,385)</b>	<b>\$ 333,465</b>	<b>\$ 231,879</b>	<b>\$ 3,452,804</b>

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

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

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ <u>545,025</u>
Change in net assets	<u>545,025</u>
Cash and investment fund balance - beginning	<u>822,106</u>
Cash and investment fund balance - ending	<u>\$ 1,367,131</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ <u>1,367,131</u>
Total cash and investment assets - ending	<u>\$ 1,367,131</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ <u>1,367,131</u>
Total cash and investment fund balance - ending	<u>\$ 1,367,131</u>

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

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

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 149,022
Miscellaneous	49,167
Total operating receipts	198,189
Change in net assets	198,189
Cash and investment fund balance - beginning	1,367,131
Cash and investment fund balance - ending	\$ 1,565,320
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 1,565,320
Total cash and investment assets - ending	\$ 1,565,320
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 1,565,320
Total cash and investment fund balance - ending	\$ 1,565,320

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

NORTH KNOX 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 Funds
Additions:		
Contributions:		
Other	\$ 600,000	\$ 10,633
Investment earnings:		
Interest	28,127	-
Total additions	628,127	10,633
Deductions:		
Benefits	619,770	-
Administrative and general	-	12,023
Total deductions	619,770	12,023
Excess (deficiency) of total additions over total deductions	8,357	(1,390)
Cash and investment fund balance - beginning	656,247	5,166
Cash and investment fund balance - ending	\$ 664,604	\$ 3,776
Net assets:		
Cash and investments	\$ 664,604	\$ 3,776
Total net assets - cash and investment basis held in trust	\$ 664,604	\$ 3,776

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

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

	Pension Funds	Private-Purpose Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 22,730	
Deductions:			
Benefits	9,263	-	
Administrative and general	-	11,133	
Total deductions	9,263	11,133	
Excess (deficiency) of total additions over total deductions	(9,263)	11,597	
Cash and investment fund balance - beginning	664,604	3,776	
Cash and investment fund balance - ending	\$ 655,341	\$ 15,373	\$ 135
Net assets:			
Cash and investments	\$ 655,341	\$ 15,373	
Total net assets - cash and investment basis held in trust	\$ 655,341	\$ 15,373	

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

NORTH KNOX 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: North Knox 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 Vincennes Community School Corporation and South Knox School Corporation in a joint venture to operate Knox County Special Education Cooperative which was created to operate programs and services for handicapped children. The School Corporation is obligated by contract to remit monthly payments to supplement the Cooperative. The Cooperative's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Cooperative equal to their proportionate share. Complete financial statements for Knox County Special Education Cooperative can be obtained from 300 North 6<sup>th</sup> Street, Vincennes, IN 47591.

The School Corporation is a participant with 39 other school corporations in a joint venture to operate the Southern Indiana Education Center (SIEC). SIEC was created to operate and maintain an educational service center in order to allow participating school corporations to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of SIEC. SIEC's continued existence depends on the continued funding by the member School Corporations. The member School Corporations are obligated for the debts of SIEC. Complete financial statements for SIEC can be obtained from Southwest Dubois County School Corporation, 113 North Jackson Street, Huntingburg, IN 47542.

The School Corporation is a participant with 12 other school corporations in a joint venture to operate the Twin Rivers Vocational Area and was created to provide vocational programs for students of participating school corporations. The School Corporation is obligated by contract to remit annually its share of the budget as determined by the Vocational Area's governing Board. The Vocational Area's continued existence depends on the continued funding by the School Corporations. Complete financial statements for the Vocational Area can be obtained from the Twin Rivers Vocational Area Administrative Office, 20 North 3<sup>rd</sup> Street, Vincennes, IN 47591.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Bicknell-Vigo Public Library.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, proprietary 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 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 rainy day fund is to account for funds in accordance with IC 36-1-8-5 and a locally adopted resolution.

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

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

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance premium refunds.

The pension trust fund accounts for the activities of the pension bond.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the students.

Agency funds account for assets held by the School Corporation as an agent for the employees.

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.

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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statements 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 reported as reimbursements.
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 Statements of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statements 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.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006	2007
Rainy Day	\$ 44,898	\$ -
Rainy Day	-	47,628
Totals	\$ 44,898	\$ 47,628

These disbursements were funded by unused and unencumbered funds which were transferred in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution.

C. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Retirement/Severance Debt	\$ (136,215)	\$ (138,375)
Capital Projects Fund	(156,827)	(214,385)
Preschool Special Education	(8,391)	(14,019)
Respect Grant	(1,429)	-
Debt Service	-	(1,538)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$5,481,811.

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:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
General Fund	Rainy Fund	\$ -	\$ 928,419
	Other governmental funds	1,175	-
Debt Service Fund	Rainy Day Fund	-	85,917
Capital Projects Fund	Rainy Day Fund	-	94,507
Transportation Fund	Rainy Day Fund	-	114,597
School Bus Replacement	Rainy Day Fund	-	28,500
Other governmental funds	General Fund	2,262	-
	General Fund	-	5,415
	Other governmental funds	93,603	60,561
All others	Other governmental funds	-	243
Totals		<u>\$ 97,040</u>	<u>\$ 1,318,159</u>

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

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.

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past 3 years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with North Knox School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$388,142.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 5 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the period ended June 30, 2008, disbursements of \$47,628 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer and Single-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

NORTH KNOX SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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:

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	\$ 54,526
Interest on net pension obligation	(839)
Adjustment to annual required contribution	956
Annual pension cost	54,643
Contributions made	60,877
Decrease in net pension obligation	(6,234)
Net pension obligation, beginning of year	(11,577)
Net pension obligation, end of year	\$ (17,811)

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
School Corporation	8%
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

<u>Actuarial Assumptions</u>	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	06-30-06	\$ 50,388	77%	\$ (14,349)
	06-30-07	50,456	95%	(11,577)
	06-30-08	54,643	111%	(17,811)

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

NORTH KNOX SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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.

Plan members are required to contribute 3% of their salary and 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, 2006, 2007, and 2008, were \$71,947, \$85,570, and \$107,279, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH KNOX 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,053,785	\$ 1,185,020	\$ (131,235)	89%	\$ 636,743	(21%)
07-01-07	1,183,138	1,296,018	(112,880)	91%	712,708	(16%)
07-01-08	1,185,001	1,345,751	(160,750)	88%	789,741	(20%)

NORTH KNOX 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 Ed Pre-School	School Lunch	Textbook Rental	Education License Plate	Alternative Education Grant	Early Intervention Grant
Receipts:						
Local sources	\$ 3,306	\$ 291,542	\$ 138,154	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	994	-	-
State sources	39,742	6,189	-	-	364	2,500
Federal sources	-	308,891	-	-	-	-
Total receipts	<u>43,048</u>	<u>606,622</u>	<u>138,154</u>	<u>994</u>	<u>364</u>	<u>2,500</u>
Disbursements:						
Current:						
Instruction	43,363	-	-	-	1,146	-
Support services	-	597,160	83,764	-	94	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	15,252	-	-	-	-	2,500
Debt services	-	-	-	-	-	-
Total disbursements	<u>58,615</u>	<u>597,160</u>	<u>83,764</u>	<u>-</u>	<u>1,240</u>	<u>2,500</u>
Excess (deficiency) of receipts over disbursements	<u>(15,567)</u>	<u>9,462</u>	<u>54,390</u>	<u>994</u>	<u>(876)</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(15,567)</u>	<u>9,462</u>	<u>54,390</u>	<u>994</u>	<u>(876)</u>	<u>-</u>
Cash and investments - beginning	<u>7,176</u>	<u>50,071</u>	<u>52,390</u>	<u>7,594</u>	<u>1,664</u>	<u>3,500</u>
Cash and investments - ending	<u>\$ (8,391)</u>	<u>\$ 59,533</u>	<u>\$ 106,780</u>	<u>\$ 8,588</u>	<u>\$ 788</u>	<u>\$ 3,500</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (8,391)	\$ 59,533	\$ 106,780	\$ 8,588	\$ 788	\$ 3,500
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (8,391)</u>	<u>\$ 59,533</u>	<u>\$ 106,780</u>	<u>\$ 8,588</u>	<u>\$ 788</u>	<u>\$ 3,500</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(8,391)</u>	<u>59,533</u>	<u>106,780</u>	<u>8,588</u>	<u>788</u>	<u>3,500</u>
Total cash and investment fund balance - ending	<u>\$ (8,391)</u>	<u>\$ 59,533</u>	<u>\$ 106,780</u>	<u>\$ 8,588</u>	<u>\$ 788</u>	<u>\$ 3,500</u>

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

NORTH KNOX 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)

	Gifted and Talented 2006-07	Gifted and Talented 2005-06	Gifted and Talented 2006	PBA Grant	Technology Plan Grant
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	12,934	-	-	-	73,863
Federal sources	-	-	-	-	-
<b>Total receipts</b>	<u>12,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,863</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	12,934	-	12,934	1,175	-
Support services	-	-	-	606	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
<b>Total disbursements</b>	<u>12,934</u>	<u>-</u>	<u>12,934</u>	<u>1,781</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(12,934)</u>	<u>(1,781)</u>	<u>73,863</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>(12,934)</u>	<u>(1,781)</u>	<u>73,863</u>
Cash and investments - beginning	<u>-</u>	<u>8,469</u>	<u>12,934</u>	<u>1,781</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 8,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,863</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ -	\$ 8,469	\$ -	\$ -	\$ 73,863
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 8,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,863</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	8,469	-	-	73,863
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 8,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,863</u>

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

NORTH KNOX 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)

	Respect Grant	Respect Grant 05-06	Respect Grant 06-07	Professional Development Mini Grant	Title 1 2006-07
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	18,104	14,173	-	-
Federal sources	-	-	-	-	306,503
<b>Total receipts</b>	<b>-</b>	<b>18,104</b>	<b>14,173</b>	<b>-</b>	<b>306,503</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	1,037	-	268,347
Support services	-	1,408	14,565	-	19,239
Community services	-	-	-	-	672
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>1,408</b>	<b>15,602</b>	<b>-</b>	<b>288,258</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>16,696</b>	<b>(1,429)</b>	<b>-</b>	<b>18,245</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	1,175	-	-	18,603
Transfers out	(8)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(8)</b>	<b>1,175</b>	<b>-</b>	<b>-</b>	<b>18,603</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(8)</b>	<b>17,871</b>	<b>(1,429)</b>	<b>-</b>	<b>36,848</b>
<b>Cash and investments - beginning</b>	<b>8</b>	<b>(17,871)</b>	<b>-</b>	<b>500</b>	<b>-</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,429)</b>	<b>\$ 500</b>	<b>\$ 36,848</b>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ -	\$ (1,429)	\$ 500	\$ 36,848
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,429)</b>	<b>\$ 500</b>	<b>\$ 36,848</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	(1,429)	500	36,848
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,429)</b>	<b>\$ 500</b>	<b>\$ 36,848</b>

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

NORTH KNOX 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 1 2005-06	Title V Part A 2006-07	Title V 2005-06	PL 94-142 2005-06	PL 94-142 2004-05
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	29,048	2,572	-	-	-
<b>Total receipts</b>	<b>29,048</b>	<b>2,572</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	49,051	-	-	82,773	593
Support services	-	-	-	60	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	40,572	42,248	-	-
Debt services	-	-	-	-	-
<b>Total disbursements</b>	<b>49,051</b>	<b>40,572</b>	<b>42,248</b>	<b>82,833</b>	<b>593</b>
Excess (deficiency) of receipts over disbursements	(20,003)	(38,000)	(42,248)	(82,833)	(593)
<b>Other financing sources (uses):</b>					
Transfers in	-	38,000	37,000	-	-
Transfers out	(20,857)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(20,857)</b>	<b>38,000</b>	<b>37,000</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,860)	-	(5,248)	(82,833)	(593)
Cash and investments - beginning	40,860	-	5,248	83,797	593
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 964</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ 964	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 964</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	964	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 964</u>	<u>\$ -</u>

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

NORTH KNOX 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)

	PL 94-142 2006-07	Drug Free 2004-05	Drug Free Schools 05-06	Drug Free Schools 06-07	Title II Class Reduction 2006-07
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	259,638	-	-	6,731	76,071
<b>Total receipts</b>	<b>259,638</b>	<b>-</b>	<b>-</b>	<b>6,731</b>	<b>76,071</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	166,161	544	1,450	800	-
Support services	1,958	-	5,821	5,331	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
<b>Total disbursements</b>	<b>168,119</b>	<b>544</b>	<b>7,271</b>	<b>6,131</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>91,519</b>	<b>(544)</b>	<b>(7,271)</b>	<b>600</b>	<b>76,071</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(38,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,000)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>91,519</b>	<b>(544)</b>	<b>(7,271)</b>	<b>600</b>	<b>38,071</b>
Cash and investments - beginning	-	544	7,271	-	-
<b>Cash and investments - ending</b>	<b>\$ 91,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 38,071</b>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 91,519	\$ -	\$ -	\$ 600	\$ 38,071
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 91,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 38,071</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	91,519	-	-	600	38,071
<b>Total cash and investment fund balance - ending</b>	<b>\$ 91,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 38,071</b>

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

NORTH KNOX 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 Class Reduction 2004-05	Title II Part D 2005-06	Title II Part D	Retirement/ Severance Debt Fund	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ 152,554	\$ 585,556
Intermediate sources	-	-	-	-	994
State sources	-	-	-	-	167,869
Federal sources	-	-	-	-	989,454
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,554</b>	<b>1,743,873</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	56,346	-	-	-	698,654
Support services	-	6,614	1,437	-	738,057
Community services	-	-	-	-	672
Nonprogrammed charges	-	-	-	-	100,572
Debt services	-	-	-	453,264	453,264
<b>Total disbursements</b>	<b>56,346</b>	<b>6,614</b>	<b>1,437</b>	<b>453,264</b>	<b>1,991,219</b>
Excess (deficiency) of receipts over disbursements	(56,346)	(6,614)	(1,437)	(300,710)	(247,346)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	94,778
Transfers out	(37,000)	-	-	-	(95,865)
<b>Total other financing sources (uses)</b>	<b>(37,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,087)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(93,346)	(6,614)	(1,437)	(300,710)	(248,433)
Cash and investments - beginning	97,027	6,614	1,437	164,495	536,102
Cash and investments - ending	<u>\$ 3,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,215)</u>	<u>\$ 287,669</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 3,681	\$ -	\$ -	\$ -	\$ 423,884
Restricted assets:					
Cash and investments	-	-	-	(136,215)	(136,215)
<b>Total cash and investment assets - ending</b>	<u>\$ 3,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,215)</u>	<u>\$ 287,669</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ (136,215)	\$ (136,215)
Unrestricted	3,681	-	-	-	423,884
<b>Total cash and investment fund balance - ending</b>	<u>\$ 3,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,215)</u>	<u>\$ 287,669</u>

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

NORTH KNOX 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 Ed Pre-School	School Lunch	Textbook Rental	Education License Plate	Alternative Education Grant	Early Intervention Grant
<b>Receipts:</b>						
Local sources	\$ 6,165	\$ 290,169	\$ 88,914	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	488	-	-
State sources	37,345	6,077	45,298	-	600	3,000
Federal sources	-	350,026	-	-	-	-
<b>Total receipts</b>	<u>43,510</u>	<u>646,272</u>	<u>134,212</u>	<u>488</u>	<u>600</u>	<u>3,000</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	31,181	-	-	-	-	-
Support services	-	614,168	123,623	-	-	-
Nonprogrammed charges	17,957	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<u>49,138</u>	<u>614,168</u>	<u>123,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(5,628)</u>	<u>32,104</u>	<u>10,589</u>	<u>488</u>	<u>600</u>	<u>3,000</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(5,628)</u>	<u>32,104</u>	<u>10,589</u>	<u>488</u>	<u>600</u>	<u>3,000</u>
<b>Cash and investments - beginning</b>	<u>(8,391)</u>	<u>59,533</u>	<u>106,780</u>	<u>8,588</u>	<u>788</u>	<u>3,500</u>
<b>Cash and investments - ending</b>	<u>\$ (14,019)</u>	<u>\$ 91,637</u>	<u>\$ 117,369</u>	<u>\$ 9,076</u>	<u>\$ 1,388</u>	<u>\$ 6,500</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ (14,019)	\$ 91,637	\$ 117,369	\$ 9,076	\$ 1,388	\$ 6,500
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ (14,019)</u>	<u>\$ 91,637</u>	<u>\$ 117,369</u>	<u>\$ 9,076</u>	<u>\$ 1,388</u>	<u>\$ 6,500</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(14,019)	91,637	117,369	9,076	1,388	6,500
<b>Total cash and investment fund balance - ending</b>	<u>\$ (14,019)</u>	<u>\$ 91,637</u>	<u>\$ 117,369</u>	<u>\$ 9,076</u>	<u>\$ 1,388</u>	<u>\$ 6,500</u>

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

NORTH KNOX 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 and Talented High Ability	Gifted and Talented 2005-06	Technology Plan Grant	Respect Grant 06-07	Professional Development Mini Grant	Title I 2006-07
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	31,493	-	-	5,312	-	-
Federal sources	-	-	-	-	-	32,489
<b>Total receipts</b>	<b>31,493</b>	<b>-</b>	<b>-</b>	<b>5,312</b>	<b>-</b>	<b>32,489</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	29,923	-	-	79	500	41,462
Support services	897	-	73,863	4,047	-	899
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<b>30,820</b>	<b>-</b>	<b>73,863</b>	<b>4,126</b>	<b>500</b>	<b>42,361</b>
Excess (deficiency) of receipts over disbursements	673	-	(73,863)	1,186	(500)	(9,872)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	243	-	-
Transfers out	-	-	-	-	-	(26,976)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>243</b>	<b>-</b>	<b>(26,976)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	673	-	(73,863)	1,429	(500)	(36,848)
Cash and investments - beginning	-	8,469	73,863	(1,429)	500	36,848
Cash and investments - ending	\$ 673	\$ 8,469	\$ -	\$ -	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 673	\$ 8,469	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 673</b>	<b>\$ 8,469</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	673	8,469	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 673</b>	<b>\$ 8,469</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

NORTH KNOX 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 I 2007-08	Title V Part A 2008	PL 94-142 2005-06	PL 94-142 2006-07	PL 94-142 2007-08	Drug-Free Schools 2007-08
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	<u>383,662</u>	<u>2,392</u>	<u>-</u>	<u>-</u>	<u>255,384</u>	<u>7,399</u>
Total receipts	<u>383,662</u>	<u>2,392</u>	<u>-</u>	<u>-</u>	<u>255,384</u>	<u>7,399</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	318,109	-	964	90,252	204,679	-
Support services	27,210	-	-	1,267	1,484	3,739
Nonprogrammed charges	-	32,685	-	-	-	-
Debt services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>345,319</u>	<u>32,685</u>	<u>964</u>	<u>91,519</u>	<u>206,163</u>	<u>3,739</u>
Excess (deficiency) of receipts over disbursements	<u>38,343</u>	<u>(30,293)</u>	<u>(964)</u>	<u>(91,519)</u>	<u>49,221</u>	<u>3,660</u>
<b>Other financing sources (uses):</b>						
Transfers in	21,561	39,000	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>21,561</u>	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	59,904	8,707	(964)	(91,519)	49,221	3,660
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>964</u>	<u>91,519</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 59,904</u>	<u>\$ 8,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,221</u>	<u>\$ 3,660</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 59,904	\$ 8,707	\$ -	\$ -	\$ 49,221	\$ 3,660
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - ending	<u>\$ 59,904</u>	<u>\$ 8,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,221</u>	<u>\$ 3,660</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>59,904</u>	<u>8,707</u>	<u>-</u>	<u>-</u>	<u>49,221</u>	<u>3,660</u>
Total cash and investment fund balance - ending	<u>\$ 59,904</u>	<u>\$ 8,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,221</u>	<u>\$ 3,660</u>

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

NORTH KNOX 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-Free Schools 2006-07	Title II Class Reduction 2006-07	Title II Class Reduction 2004-05	Retirement/ Severance Debt Fund	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ 295,928	\$ 681,176
Intermediate sources	-	-	-	-	488
State sources	-	-	-	-	129,125
Federal sources	-	-	78,159	-	1,109,511
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>78,159</b>	<b>295,928</b>	<b>1,920,300</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	600	36,689	15,694	-	770,132
Support services	-	859	-	-	852,056
Nonprogrammed charges	-	-	-	-	50,642
Debt services	-	-	-	298,088	298,088
<b>Total disbursements</b>	<b>600</b>	<b>37,548</b>	<b>15,694</b>	<b>298,088</b>	<b>1,970,918</b>
Excess (deficiency) of receipts over disbursements	(600)	(37,548)	62,465	(2,160)	(50,618)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	60,804
Transfers out	-	-	(39,000)	-	(65,976)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(39,000)</b>	<b>-</b>	<b>(5,172)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(600)	(37,548)	23,465	(2,160)	(55,790)
Cash and investments - beginning	600	38,071	3,681	(136,215)	287,669
Cash and investments - ending	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ 27,146</u>	<u>\$ (138,375)</u>	<u>\$ 231,879</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ 523	\$ 27,146	\$ -	\$ 370,254
Restricted assets:					
Cash and investments	-	-	-	(138,375)	(138,375)
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ 27,146</u>	<u>\$ (138,375)</u>	<u>\$ 231,879</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ (138,375)	\$ (138,375)
Unrestricted	-	523	27,146	-	370,254
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 523</u>	<u>\$ 27,146</u>	<u>\$ (138,375)</u>	<u>\$ 231,879</u>

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

NORTH KNOX 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

	Donations	College Kaleidoscope	ASAI	Tobacco Coalition	Renaissance Fund	SINE 2004	SINE High School	Totals
<b>Additions:</b>								
Contributions:								
Other	\$ 633	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,633
<b>Deductions:</b>								
Administrative and general	-	554	9,466	397	220	110	1,276	12,023
Excess (deficiency) of total additions over total deductions	633	(554)	534	(397)	(220)	(110)	(1,276)	(1,390)
Cash and investment fund balance - beginning	200	554	2,409	397	220	110	1,276	5,166
Cash and investments - June 30	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ 2,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,776</u>
<b>Net assets:</b>								
Cash and investments	\$ 833	\$ -	\$ 2,943	\$ -	\$ -	\$ -	\$ -	\$ 3,776
Total net assets - cash and investment basis held in trust	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ 2,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,776</u>

NORTH KNOX 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

	<u>Donations</u>	<u>ASAI</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 12,730	\$ 10,000	\$ 22,730
Deductions:			
Administrative and general	<u>3,384</u>	<u>7,749</u>	<u>11,133</u>
Excess of total additions over total deductions	9,346	2,251	11,597
Cash and investment fund balance - beginning	<u>833</u>	<u>2,943</u>	<u>3,776</u>
Cash and investments - June 30	<u>\$ 10,179</u>	<u>\$ 5,194</u>	<u>\$ 15,373</u>
Net assets:			
Cash and investments	<u>\$ 10,179</u>	<u>\$ 5,194</u>	<u>\$ 15,373</u>
Total net assets - cash and investment basis held in trust	<u>\$ 10,179</u>	<u>\$ 5,194</u>	<u>\$ 15,373</u>

NORTH KNOX SCHOOL CORPORATION  
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2008

	<u>Social Security</u>	<u>Group Insurance Fund</u>	<u>Annuity Fund</u>	<u>Athletic Miscellaneous Payroll</u>	<u>Totals</u>
Cash and investments fund balance - ending	\$ (12)	\$ (65)	\$ 375	\$ (163)	\$ 135

**Board of School Trustees**

**Vaughn Huey**  
President

**V. Max Nickless**  
Vice-President

**Matthew M. Sandefer**  
Secretary

**James E. Franklin**  
Member

**Jarrold M. Chattin**  
Member

# North Knox School Corporation

11110 N. State Road 159

Bicknell, IN 47512

**Joseph H. Adams**  
Superintendent

**Sandra J. Beaman**  
Business Manager  
Treasurer

**Thelma Morrison**  
Payroll-Personnel Director

**Terri L. Roesler**  
Secretary  
Transportation

**NORTH KNOX SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS**

For The Year Ended December 31, 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	\$ 337,729
Buildings	10,056,714
Improvements other than buildings	324,561
Machinery and equipment	1,268,913
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,987,917</u>

**Board of School Trustees**

**V. Max Nickless**  
President

**Matthew M. Sandefer**  
Vice-President

**James E. Franklin**  
Secretary

**Jarrold M. Chattin**  
Member

**James H. Dotson, Jr.**  
Member

# North Knox School Corporation

11110 N. State Road 159  
Bicknell, IN 47512

**Joseph H. Adams**  
Superintendent

**Darrel L. Bobe**  
Assistant Superintendent

**Sandra J. Beaman**  
Business Manager  
Treasurer

**Terri L. Roesler**  
Secretary  
Transportation

**Debbie Utt**  
Payroll

NORTH KNOX SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
Capital leases:		
2002 QZAB	\$ 1,065,950	\$ 143,700
2003 QZAB	1,427,985	114,403
2005 QZAB	1,548,040	119,830
2007 QZAB	1,952,763	135,838
SB516 School Building	1,206,540	335,113
Notes and loans payable	37,500	9,375
Bonds payable:		
Retirement/Severance Bonds	<u>2,475,000</u>	<u>301,183</u>
<b>Total governmental activities debt</b>	<u>\$ 9,713,777</u>	<u>\$ 1,159,441</u>

NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

The term of the official bond for the Corporation Treasurer was "until his successor is duly qualified."

The position schedule bond for the extracurricular treasurers is dated July 1, 1995. The amount of the bond does not always cover the total amount of funds which come into the hands of some of the treasurers at any one time. A similar comment was in the prior report.

A new bond shall be given at the beginning of each school year. The amount of the surety bond should approximate the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the school year. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Rainy Day	2006	\$ 44,898
Rainy Day	2007	47,628

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

NORTH KNOX SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

COMPENSATION AND BENEFITS - BOARD MEMBERS

The Board of Trustees received \$2,000 in payments for the year 2006-2007 and 2007-2008 which were not approved through a salary resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

OVERDRAWN FUND BALANCES

The Retirement/Severance Debt Fund, Capital Projects Fund, Preschool Special Education Fund and Respect Grant Fund were overdrawn at June 30, 2007.

The Retirement/Severance Debt Fund, Capital Projects Fund, Preschool Special Education Fund and the Debt Service Fund were overdrawn at June 30, 2008.

All funds mentioned above, with the exception of the Respect Grant fund, were dependent upon tax distributions from the Knox County Auditor. As of June 30 of each year, 100% of the county tax distribution had not been received by the unit.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (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 NORTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of the North Knox 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 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.

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 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, 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

June 9, 2009

NORTH KNOX 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
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 100,251	\$ 103,345
National School Lunch Program	10.555		252,612	246,036
Special Milk Program for Children	10.556		<u>1,641</u>	<u>-</u>
Total for cluster			<u>354,504</u>	<u>349,381</u>
Total for federal grantor agency			<u>354,504</u>	<u>349,381</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Pass-Through Vincennes Community School Corporation				
Special Education Cluster				
Special Education - Grants to States	84.027			
FY 2004-2005			593	-
FY 2005-2006			82,834	963
FY 2006-2007			168,119	91,519
FY 2007-2008			<u>-</u>	<u>206,164</u>
Total for cluster			<u>251,546</u>	<u>298,646</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 2005-2006	84.010		69,908	-
FY 2006-2007			288,257	42,362
FY 2007-2008			<u>-</u>	<u>345,319</u>
Total for program			<u>358,165</u>	<u>387,681</u>
Safe and Drug Free Schools and Communities - State Grants				
2005	84.186		544	-
FY 2005-2006			7,215	-
2007			6,131	600
FY 2007-2008			<u>-</u>	<u>3,739</u>
Total for program			<u>13,890</u>	<u>4,339</u>
State Grants for Innovative Programs				
FY 2005-2006	84.298		42,248	-
FY 2006-2007			40,572	-
2008			<u>-</u>	<u>32,685</u>
Total for program			<u>82,820</u>	<u>32,685</u>
Education Technology State Grants				
FY 2004-2005	84.318		1,437	-
FY 2005-2006			<u>6,614</u>	<u>-</u>
Total for program			<u>8,051</u>	<u>-</u>
Improving Teacher Quality State Grants				
FY 2004-2005	84.367		20,582	3,680
FY 2005-2006			72,503	-
FY 2006-2007			38,000	37,548
FY 2007-2008			<u>-</u>	<u>51,013</u>
Total for program			<u>131,085</u>	<u>92,241</u>
Total for federal grantor agency			<u>845,557</u>	<u>815,592</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
Pass-Through Indiana Department of Health				
Abstinence Education Program				
FY 2004-2005	93.235		8	-
FY 2005-2006			1,407	-
FY 2006-2007			<u>15,603</u>	<u>4,126</u>
Total for federal grantor agency			<u>17,018</u>	<u>4,126</u>
Total federal awards expended			<u>\$ 1,217,079</u>	<u>\$ 1,169,099</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Knox 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	2006-2007	2007-2008
School Breakfast Program	10.553	\$ 12,650	\$ 8,386
National School Lunch Program	10.555	30,864	19,838

NORTH KNOX 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
	Child Nutrition Cluster
	Special Education 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? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTH KNOX SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTH KNOX SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 4, 2009, with Darrel Bobe, Assistant Superintendent of Schools. The official concurred with our audit findings.

The contents of this report were discussed on June 9, 2009, with Joseph H. Adams, Superintendent of Schools; Sandra Beaman, Treasurer; and Max Nickless, President of the School Board.