

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

KNOX COMMUNITY SCHOOL CORPORATION  
STARKE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
01/10/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Sue Fort	01-01-10 to 12-31-12
Superintendent of Schools	A.J. Gappa	07-01-10 to 06-30-16
President of the School Board	Gary Dulin Harold Welter	01-01-10 to 12-31-10 01-01-11 to 12-31-12



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Knox Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 2012, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

STATE BOARD OF ACCOUNTS

December 17, 2012



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

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

We have audited the financial statement of the Knox Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated December 17, 2012. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

December 17, 2012

## FINANCIAL STATEMENT

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

KNOX COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10		Other Financing Sources (Uses)		Cash and Investments 06-30-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
General	\$ 2,740,291	\$ 12,418,459	\$ 12,672,198	\$ 774	\$ 2,487,326	\$ 12,597,120	\$ 12,578,518	\$ 1,343	\$ 2,507,271	
Debt Service	1,653,066	2,671,679	2,718,085	12,536	1,619,196	2,409,861	2,561,485	-	1,467,572	
Retirement/Severance Bond Debt Service	148,581	318,113	330,458	-	136,236	371,026	330,503	-	176,759	
Capital Projects	405,212	1,383,517	1,432,708	6,769	362,790	1,379,739	1,204,570	-	537,959	
School Transportation	638,932	942,737	931,079	24,896	675,486	923,336	996,356	(300,000)	302,466	
School Bus Replacement	252,663	306,415	-	(347,746)	211,332	82,792	85,498	(182,000)	26,626	
Rainy Day	1,307,504	-	330,006	366,371	1,343,869	-	333,496	433,353	1,443,726	
Retirement/Severance Bond	364,917	-	16,679	-	348,238	-	11,917	-	336,321	
Construction	-	-	-	3,100	3,100	2,164	-	-	3,100	
School Lunch	358,220	1,077,395	1,086,539	-	349,076	1,107,762	1,044,023	-	412,815	
Textbook Rental	45,210	129,952	106,626	-	68,536	183,664	33,534	-	218,666	
Levy Excess	20,383	-	-	(20,383)	-	-	-	18,677	18,677	
Educational License Plates	4,313	206	-	-	4,519	188	-	-	4,707	
Alternative Education	1,038	-	-	-	1,038	-	-	-	1,038	
Early Intervention Grant	-	-	-	-	-	18,786	18,786	-	-	
Dr Browne Instructional	19,064	1,758	19,159	-	1,663	1,920	-	-	3,583	
Intell Scholarship	241	1	242	-	-	-	-	-	-	
John E. Milner Scholarship	11,305	56	11,361	-	-	-	-	-	-	
Rogers Scholarship	1,000	-	1,000	-	-	-	-	-	-	
Paul R and Emily Reed Scholarship	13,844	56	13,900	-	-	-	-	-	-	
Janet Miller Memorial	1	-	-	-	1	-	-	-	1	
Lynn Milner Wamsley Scholarship	17,461	87	17,548	-	-	-	-	-	-	
Gurrado Scholarship	12	-	-	-	12	-	-	-	12	
Paul E and Catherine Reed Scholarship	13,858	56	13,914	-	-	-	-	-	-	
Instruction Support	-	1,850	15	-	1,835	300	702	-	1,433	
Weinberg Scholarship	15,586	77	15,663	-	-	-	-	-	-	
Dr Browne Scholarship	18,076	90	18,166	-	-	-	-	-	-	
C James Scholarship	4,527	22	4,549	-	-	-	-	-	-	
Meyers Memorial	1,907	-	-	-	1,907	-	-	-	1,907	
CIS Donation 2005-06	68	-	-	-	68	-	68	-	-	
Instruction Support	-	33,240	25,277	-	7,963	-	7,963	-	-	
Gifted Talented 2010-11	-	-	-	-	-	32,214	20,746	-	11,468	
Medicaid Reimbursement	182	680	-	(774)	88	1,582	-	(1,343)	327	
Non-English Grant 2011-12	-	-	-	-	-	3,060	2,239	-	821	
Non-English Grant 2009-10	730	-	730	-	-	-	-	-	-	
Non-English Grant 2010-11	-	3,932	1,554	-	2,378	-	2,378	-	-	
School Technology	-	16,292	16,292	-	-	4,110	-	-	4,110	
State Connectivity	-	822	-	-	822	14,858	-	-	15,680	

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

KNOX COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012  
(Continued)

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
Miscellaneous Programs	768	-	-	-	768	-	-	-	768
Miscellaneous Tech	-	-	-	-	-	9,970	15,635	5,665	-
Wellness Program	23,039	45	5,731	-	17,353	-	998	-	16,355
Miscellaneous Computer	-	10,127	-	-	10,127	-	10,127	-	-
Miscellaneous Tech 2008-09	876	-	-	-	876	-	-	-	876
School Recycling Grant	50	-	50	-	-	-	-	-	-
Excess PTRC Distributions	25,071	-	-	(25,071)	-	18,677	-	(18,677)	-
Starke United	146	-	-	-	146	2,780	1,930	-	996
Drug Free Starke County 2010-11	-	1,250	1,153	-	97	-	97	-	-
Vocational 2009-10	2,846	-	2,846	-	-	-	-	-	-
Vocational 2010-11	-	173,100	173,100	-	-	-	-	-	-
Vocational 2011-12	-	-	-	-	-	104,700	104,700	-	-
Title I 2010-11	-	354,678	383,477	28,799	-	176,869	185,218	8,349	-
Title I 2011-12	-	-	-	-	-	348,326	369,359	21,033	-
Title I 2009-10	85,233	23,950	80,632	(28,551)	-	8,597	-	(8,597)	-
Career Incentive	-	-	-	-	-	7,714	4,572	-	3,142
Career Awareness 2009-10	3,054	-	3,054	-	-	-	-	-	-
Career Awareness 2010-11	-	7,714	4,300	-	3,414	-	3,414	-	-
Drug Free Schools 2009-10	4,261	-	3,907	-	354	1,552	1,906	-	-
Medicaid Reimbursement - Federal	462	1,701	472	-	1,691	2,925	302	-	4,314
Title II Part A 2011-12	-	-	-	-	-	11,760	11,926	166	-
Title II Part A 2009-10	39,044	55,270	94,314	-	-	-	-	-	-
Title II Part A 2010-11	-	42,838	42,931	93	-	95,993	95,900	(93)	-
Title VI Part B 2011-12	-	-	-	-	-	13,863	15,414	1,551	-
Title VI Part B 2009-10	10,074	8,860	18,934	-	-	-	-	-	-
Title VI Part B 2010-11	-	51,066	51,066	-	-	1,865	1,865	-	-
Reading First 2010-11	-	92,070	92,230	160	-	62,220	62,060	(160)	-
Reading First 2009-10	-	27,992	27,992	-	-	-	-	-	-
Reading First Summer 2009-10	-	89,119	89,119	-	-	-	-	-	-
Title I - ARRA	37,238	-	37,238	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	316,354	337,087	20,733	-
Payroll Clearing	43,832	2,480,559	2,473,695	-	50,696	2,454,658	2,415,046	-	90,308
Prepaid Meals	8,203	230,873	230,852	-	8,224	231,451	233,774	-	5,901
Food Service Payroll Clearing	813	70,322	69,988	-	1,147	73,855	73,708	-	1,294
<b>Totals</b>	<b>\$ 8,343,202</b>	<b>\$ 23,029,026</b>	<b>\$ 23,670,829</b>	<b>\$ 20,973</b>	<b>\$ 7,722,372</b>	<b>\$ 23,078,611</b>	<b>\$ 23,179,984</b>	<b>\$ -</b>	<b>\$ 7,620,999</b>

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

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include, but are not limited to, the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include, but are not limited to, the following uses:

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

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations, and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other financing sources and uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include, but are not limited to, the following:

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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

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

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

KNOX COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teacher's Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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

**Note 7. Holding Corporation**

The School Corporation has entered into two capital leases with the Knox Middle School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Total lease payments during the years ended June 30, 2011 and June 30, 2012, totaled \$ 2,145,000 and \$ 2,189,000, respectively.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 2,740,291	\$ 1,653,066	\$ 148,581	\$ 405,212	\$ 638,932	\$ 252,663	\$ -	\$ 1,307,504	\$ 364,917	\$ -
Receipts:										
Local sources	142,359	2,670,937	318,113	1,378,619	942,411	306,415	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	12,276,100	742	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	4,898	326	-	-	-	-	-
Total receipts	12,418,459	2,671,679	318,113	1,383,517	942,737	306,415	-	-	-	-
Disbursements:										
Current:										
Instruction	8,362,632	-	-	-	-	-	-	140,000	16,679	-
Support services	4,047,814	-	-	1,106,402	931,079	-	-	184,012	-	-
Noninstructional services	260,628	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,124	-	-	326,306	-	-	-	5,994	-	-
Debt services	-	2,718,085	330,458	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,672,198	2,718,085	330,458	1,432,708	931,079	-	-	330,006	16,679	-
Excess (deficiency) of receipts over disbursements	(253,739)	(46,406)	(12,345)	(49,191)	11,658	306,415	-	(330,006)	(16,679)	-
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	-	3,100
Transfers in	774	12,536	-	6,769	24,896	1,254	-	366,872	-	-
Transfers out	-	-	-	-	-	(349,000)	-	(501)	-	-
Total other financing sources (uses)	774	12,536	-	6,769	24,896	(347,746)	-	366,371	-	3,100
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(252,965)	(33,870)	(12,345)	(42,422)	36,554	(41,331)	-	36,365	(16,679)	3,100
Cash and investments - ending	\$ 2,487,326	\$ 1,619,196	\$ 136,236	\$ 362,790	\$ 675,486	\$ 211,332	\$ -	\$ 1,343,869	\$ 348,238	\$ 3,100

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	Dr Browne Instructional	Intell Scholarship	John E. Milner Scholarship	Rogers Scholarship
Cash and investments - beginning	\$ 358,220	\$ 45,210	\$ 20,383	\$ 4,313	\$ 1,038	\$ -	\$ 19,064	\$ 241	\$ 11,305	\$ 1,000
Receipts:										
Local sources	283,068	69,203	-	-	-	-	1,758	1	56	-
Intermediate sources	-	-	-	206	-	-	-	-	-	-
State sources	7,193	60,749	-	-	-	-	-	-	-	-
Federal sources	786,767	-	-	-	-	-	-	-	-	-
Other	367	-	-	-	-	-	-	-	-	-
Total receipts	1,077,395	129,952	-	206	-	-	1,758	1	56	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	(618)	106,626	-	-	-	-	-	-	-	-
Noninstructional services	954,054	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	133,103	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	19,159	242	11,361	1,000
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,086,539	106,626	-	-	-	-	19,159	242	11,361	1,000
Excess (deficiency) of receipts over disbursements	(9,144)	23,326	-	206	-	-	(17,401)	(241)	(11,305)	(1,000)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(20,383)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(20,383)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,144)	23,326	(20,383)	206	-	-	(17,401)	(241)	(11,305)	(1,000)
Cash and investments - ending	\$ 349,076	\$ 68,536	\$ -	\$ 4,519	\$ 1,038	\$ -	\$ 1,663	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Paul R and Emily Reed Scholarship	Janet Miller Memorial	Lynn Milner Wamsley Scholarship	Gurrado Scholarship	Paul E and Catherine Reed Scholarship	Instruction Support	Weinberg Scholarship	Dr Browne Scholarship	C James Scholarship
Cash and investments - beginning	\$ 13,844	\$ 1	\$ 17,461	\$ 12	\$ 13,858	\$ -	\$ 15,586	\$ 18,076	\$ 4,527
Receipts:									
Local sources	56	-	87	-	56	1,850	77	90	22
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	56	-	87	-	56	1,850	77	90	22
Disbursements:									
Current:									
Instruction	-	-	-	-	-	15	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	13,900	-	17,548	-	13,914	-	15,663	18,166	4,549
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	13,900	-	17,548	-	13,914	15	15,663	18,166	4,549
Excess (deficiency) of receipts over disbursements	(13,844)	-	(17,461)	-	(13,858)	1,835	(15,586)	(18,076)	(4,527)
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,844)	-	(17,461)	-	(13,858)	1,835	(15,586)	(18,076)	(4,527)
Cash and investments - ending	\$ -	\$ 1	\$ -	\$ 12	\$ -	\$ 1,835	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Meyers Memorial	CIS Donation 2005-06	Instruction Support	Gifted Talented 2010-11	Medicaid Reimbursement	Non-English Grant 2011-12	Non-English Grant 2009-10	Non-English Grant 2010-11	School Technology
Cash and investments - beginning	\$ 1,907	\$ 68	\$ -	\$ -	\$ 182	\$ -	\$ 730	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	33,240	-	680	-	-	3,932	16,292
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	33,240	-	680	-	-	3,932	16,292
Disbursements:									
Current:									
Instruction	-	-	25,277	-	-	-	-	-	-
Support services	-	-	-	-	-	-	730	1,554	16,292
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	25,277	-	-	-	730	1,554	16,292
Excess (deficiency) of receipts over disbursements	-	-	7,963	-	680	-	(730)	2,378	-
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(774)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(774)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	7,963	-	(94)	-	(730)	2,378	-
Cash and investments - ending	\$ 1,907	\$ 68	\$ 7,963	\$ -	\$ 88	\$ -	\$ -	\$ 2,378	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	State Connectivity	Miscellaneous Programs	Miscellaneous Tech	Wellness Program	Miscellaneous Computer	Miscellaneous Tech 2008-09	School Recycling Grant	Excess PTRC Distributions	Starke United
Cash and investments - beginning	\$ -	\$ 768	\$ -	\$ 23,039	\$ -	\$ 876	\$ 50	\$ 25,071	\$ 146
Receipts:									
Local sources	-	-	-	45	10,127	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	822	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	822	-	-	45	10,127	-	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	5,731	-	-	50	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	5,731	-	-	50	-	-
Excess (deficiency) of receipts over disbursements	822	-	-	(5,686)	10,127	-	(50)	-	-
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(25,071)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(25,071)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	822	-	-	(5,686)	10,127	-	(50)	(25,071)	-
Cash and investments - ending	\$ 822	\$ 768	\$ -	\$ 17,353	\$ 10,127	\$ 876	\$ -	\$ -	\$ 146

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Drug Free Starke County 2010-11	Vocational 2009-10	Vocational 2010-11	Vocational 2011-12	Title I 2010-11	Title I 2011-12	Title I 2009-10	Career Incentive	Career Awareness 2009-10
Cash and investments - beginning	\$ -	\$ 2,846	\$ -	\$ -	\$ -	\$ -	\$ 85,233	\$ -	\$ 3,054
Receipts:									
Local sources	1,250	-	173,100	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	354,678	-	23,950	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,250	-	173,100	-	354,678	-	23,950	-	-
Disbursements:									
Current:									
Instruction	1,153	-	173,100	-	266,064	-	64,179	-	3,054
Support services	-	-	-	-	71,557	-	10,560	-	-
Noninstructional services	-	-	-	-	36,506	-	5,893	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	2,846	-	-	9,350	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,153	2,846	173,100	-	383,477	-	80,632	-	3,054
Excess (deficiency) of receipts over disbursements	97	(2,846)	-	-	(28,799)	-	(56,682)	-	(3,054)
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	28,799	-	-	-	-
Transfers out	-	-	-	-	-	-	(28,551)	-	-
Total other financing sources (uses)	-	-	-	-	28,799	-	(28,551)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	97	(2,846)	-	-	-	-	(85,233)	-	(3,054)
Cash and investments - ending	\$ 97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Career Awareness 2010-11	Drug Free Schools 2009-10	Medicaid Reimbursement Federal	Title II Part A 2011-12	Title II Part A 2009-10	Title II Part A 2010-11	Title VI Part B 2011-12	Title VI Part B 2009-10	Title VI Part B 2010-11
Cash and investments - beginning	\$ -	\$ 4,261	\$ 462	\$ -	\$ 39,044	\$ -	\$ -	\$ 10,074	\$ -
Receipts:									
Local sources	-	-	-	-	70	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	7,714	-	1,701	-	55,200	42,838	-	8,860	51,066
Other	-	-	-	-	-	-	-	-	-
Total receipts	7,714	-	1,701	-	55,270	42,838	-	8,860	51,066
Disbursements:									
Current:									
Instruction	4,300	-	-	-	51,635	31,735	-	17,634	23,539
Support services	-	3,727	472	-	40,179	8,796	-	-	26,627
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	180	-	-	2,500	2,400	-	1,300	900
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	4,300	3,907	472	-	94,314	42,931	-	18,934	51,066
Excess (deficiency) of receipts over disbursements	3,414	(3,907)	1,229	-	(39,044)	(93)	-	(10,074)	-
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	93	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	93	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,414	(3,907)	1,229	-	(39,044)	-	-	(10,074)	-
Cash and investments - ending	\$ 3,414	\$ 354	\$ 1,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Reading First 2010-11	Reading First 2009-10	Reading First Summer 2009-10	Title I ARRA	Education Jobs	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 37,238	\$ -	\$ 43,832	\$ 8,203	\$ 813	\$ 8,343,202
Receipts:									
Local sources	-	-	-	-	-	-	-	-	6,299,770
Intermediate sources	-	-	-	-	-	-	-	-	206
State sources	-	-	-	-	-	-	-	-	12,399,750
Federal sources	92,070	27,992	89,119	-	-	-	-	-	1,541,955
Other	-	-	-	-	-	2,480,559	230,873	70,322	2,787,345
Total receipts	92,070	27,992	89,119	-	-	2,480,559	230,873	70,322	23,029,026
Disbursements:									
Current:									
Instruction	87,102	14,282	84,957	-	-	-	-	-	9,367,337
Support services	-	-	-	37,238	-	-	-	-	6,598,828
Noninstructional services	-	-	-	-	-	-	-	-	1,257,081
Facilities acquisition and construction	-	-	-	-	-	-	-	-	466,527
Debt services	-	-	-	-	-	-	-	-	3,048,543
Nonprogrammed charges	5,128	-	-	-	-	2,473,695	230,852	69,988	2,914,641
Interfund loans	-	13,710	4,162	-	-	-	-	-	17,872
Total disbursements	92,230	27,992	89,119	37,238	-	2,473,695	230,852	69,988	23,670,829
Excess (deficiency) of receipts over disbursements	(160)	-	-	(37,238)	-	6,864	21	334	(641,803)
Other financing sources (uses)									
Sale of capital assets	-	-	-	-	-	-	-	-	3,100
Transfers in	160	-	-	-	-	-	-	-	442,153
Transfers out	-	-	-	-	-	-	-	-	(424,280)
Total other financing sources (uses)	160	-	-	-	-	-	-	-	20,973
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(37,238)	-	6,864	21	334	(620,830)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,696	\$ 8,224	\$ 1,147	\$ 7,722,372

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 2,487,326	\$ 1,619,196	\$ 136,236	\$ 362,790	\$ 675,486	\$ 211,332	\$ -	\$ 1,343,869	\$ 348,238	\$ 3,100
Receipts:										
Local sources	114,254	2,409,861	371,026	1,359,067	920,904	82,792	-	-	-	2,164
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	12,482,866	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	20,672	2,432	-	-	-	-	-
Total receipts	12,597,120	2,409,861	371,026	1,379,739	923,336	82,792	-	-	-	2,164
Disbursements:										
Current:										
Instruction	8,071,493	-	-	-	-	-	-	-	11,917	-
Support services	4,165,365	16,180	-	1,074,323	990,784	85,498	-	339,490	-	2,164
Noninstructional services	271,602	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	70,058	-	-	130,247	5,572	-	-	(5,994)	-	-
Debt services	-	2,545,305	330,503	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,578,518	2,561,485	330,503	1,204,570	996,356	85,498	-	333,496	11,917	2,164
Excess (deficiency) of receipts over disbursements	18,602	(151,624)	40,523	175,169	(73,020)	(2,706)	-	(333,496)	(11,917)	-
Other financing sources (uses)										
Transfers in	1,343	-	-	-	-	-	-	482,501	-	-
Transfers out	-	-	-	-	(300,000)	(182,000)	-	(49,148)	-	-
Total other financing sources (uses)	1,343	-	-	-	(300,000)	(182,000)	-	433,353	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,945	(151,624)	40,523	175,169	(373,020)	(184,706)	-	99,857	(11,917)	-
Cash and investments - ending	\$ 2,507,271	\$ 1,467,572	\$ 176,759	\$ 537,959	\$ 302,466	\$ 26,626	\$ -	\$ 1,443,726	\$ 336,321	\$ 3,100

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Early Intervention Grant	Dr Browne Instructional	Intell Scholarship	John E. Milner Scholarship	Rogers Scholarship
Cash and investments - beginning	\$ 349,076	\$ 68,536	\$ -	\$ 4,519	\$ 1,038	\$ -	\$ 1,663	\$ -	\$ -	\$ -
Receipts:										
Local sources	274,687	85,211	-	-	-	-	1,920	-	-	-
Intermediate sources	-	-	-	188	-	-	-	-	-	-
State sources	6,842	98,453	-	-	-	18,786	-	-	-	-
Federal sources	825,898	-	-	-	-	-	-	-	-	-
Other	335	-	-	-	-	-	-	-	-	-
Total receipts	1,107,762	183,664	-	188	-	18,786	1,920	-	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	2,838	33,534	-	-	-	18,786	-	-	-	-
Noninstructional services	999,713	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	41,472	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,044,023	33,534	-	-	-	18,786	-	-	-	-
Excess (deficiency) of receipts over disbursements	63,739	150,130	-	188	-	-	1,920	-	-	-
Other financing sources (uses)										
Transfers in	-	-	18,677	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	18,677	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	63,739	150,130	18,677	188	-	-	1,920	-	-	-
Cash and investments - ending	\$ 412,815	\$ 218,666	\$ 18,677	\$ 4,707	\$ 1,038	\$ -	\$ 3,583	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Paul R and Emily Reed Scholarship	Janet Miller Memorial	Lynn Milner Wamsley Scholarship	Gurrado Scholarship	Paul E and Catherine Reed Scholarship	Instruction Support	Weinberg Scholarship	Dr Browne Scholarship	C James Scholarship
Cash and investments - beginning	\$ -	\$ 1	\$ -	\$ 12	\$ -	\$ 1,835	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	300	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	300	-	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	702	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	702	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(402)	-	-	-
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(402)	-	-	-
Cash and investments - ending	\$ -	\$ 1	\$ -	\$ 12	\$ -	\$ 1,433	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Meyers Memorial	CIS Donation 2005-06	Instruction Support	Gifted Talented 2010-11	Medicaid Reimbursement	Non-English Grant 2011-12	Non-English Grant 2009-10	Non-English Grant 2010-11	School Technology
Cash and investments - beginning	\$ 1,907	\$ 68	\$ 7,963	\$ -	\$ 88	\$ -	\$ -	\$ 2,378	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	32,214	1,582	3,060	-	-	4,110
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	32,214	1,582	3,060	-	-	4,110
Disbursements:									
Current:									
Instruction	-	68	7,963	19,335	-	-	-	-	-
Support services	-	-	-	1,411	-	2,239	-	2,378	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	68	7,963	20,746	-	2,239	-	2,378	-
Excess (deficiency) of receipts over disbursements	-	(68)	(7,963)	11,468	1,582	821	-	(2,378)	4,110
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,343)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(1,343)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(68)	(7,963)	11,468	239	821	-	(2,378)	4,110
Cash and investments - ending	<u>\$ 1,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,468</u>	<u>\$ 327</u>	<u>\$ 821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,110</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	State Connectivity	Miscellaneous Programs	Miscellaneous Tech	Wellness Program	Miscellaneous Computer	Miscellaneous Tech 2008-09	School Recycling Grant	Excess PTRC Distributions	Starke United
Cash and investments - beginning	\$ 822	\$ 768	\$ -	\$ 17,353	\$ 10,127	\$ 876	\$ -	\$ -	\$ 146
Receipts:									
Local sources	-	-	200	-	-	-	-	18,677	2,780
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	14,858	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	9,770	-	-	-	-	-	-
Total receipts	<u>14,858</u>	<u>-</u>	<u>9,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,677</u>	<u>2,780</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	15,635	998	10,127	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	1,930
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>15,635</u>	<u>998</u>	<u>10,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,930</u>
Excess (deficiency) of receipts over disbursements	<u>14,858</u>	<u>-</u>	<u>(5,665)</u>	<u>(998)</u>	<u>(10,127)</u>	<u>-</u>	<u>-</u>	<u>18,677</u>	<u>850</u>
Other financing sources (uses)									
Transfers in	-	-	5,665	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(18,677)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,677)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>14,858</u>	<u>-</u>	<u>-</u>	<u>(998)</u>	<u>(10,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850</u>
Cash and investments - ending	<u>\$ 15,680</u>	<u>\$ 768</u>	<u>\$ -</u>	<u>\$ 16,355</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 996</u>

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Drug Free Starke County 2010-11	Vocational 2009-10	Vocational 2010-11	Vocational 2011-12	Title I 2010-11	Title I 2011-12	Title I 2009-10	Career Incentive	Career Awareness 2009-10
Cash and investments - beginning	\$ 97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	104,700	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	176,869	348,326	-	7,714	-
Other	-	-	-	-	-	-	8,597	-	-
Total receipts	-	-	-	104,700	176,869	348,326	8,597	7,714	-
Disbursements:									
Current:									
Instruction	97	-	-	104,700	107,505	261,765	-	4,572	-
Support services	-	-	-	-	68,486	65,974	-	-	-
Noninstructional services	-	-	-	-	9,227	41,620	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	97	-	-	104,700	185,218	369,359	-	4,572	-
Excess (deficiency) of receipts over disbursements	(97)	-	-	-	(8,349)	(21,033)	8,597	3,142	-
Other financing sources (uses)									
Transfers in	-	-	-	-	8,597	21,033	-	-	-
Transfers out	-	-	-	-	(248)	-	(8,597)	-	-
Total other financing sources (uses)	-	-	-	-	8,349	21,033	(8,597)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(97)	-	-	-	-	-	-	3,142	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,142	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Career Awareness 2010-11	Drug Free Schools 2009-10	Medicaid Reimbursement Federal	Title II Part A 2011-12	Title II Part A 2009-10	Title II Part A 2010-11	Title VI Part B 2011-12	Title VI Part B 2009-10	Title VI Part B 2010-11
Cash and investments - beginning	\$ 3,414	\$ 354	\$ 1,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	1,552	2,925	11,760	-	95,993	13,863	-	1,865
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	1,552	2,925	11,760	-	95,993	13,863	-	1,865
Disbursements:									
Current:									
Instruction	3,414	-	-	-	-	62,067	15,414	-	-
Support services	-	1,906	302	9,926	-	33,833	-	-	1,865
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,000	-	-	-	-	-
Total disbursements	3,414	1,906	302	11,926	-	95,900	15,414	-	1,865
Excess (deficiency) of receipts over disbursements	(3,414)	(354)	2,623	(166)	-	93	(1,551)	-	-
Other financing sources (uses)									
Transfers in	-	-	-	166	-	-	1,551	-	-
Transfers out	-	-	-	-	-	(93)	-	-	-
Total other financing sources (uses)	-	-	-	166	-	(93)	1,551	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,414)	(354)	2,623	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 4,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KNOX COMMUNITY SCHOOL CORPORATION  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Reading First 2010-11	Reading First 2009-10	Reading First Summer 2009-10	Title I ARRA	Education Jobs	Payroll Clearing	Prepaid Meals	Food Service Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,696	\$ 8,224	\$ 1,147	\$ 7,722,372
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,748,543
Intermediate sources	-	-	-	-	-	-	-	-	188
State sources	-	-	-	-	-	-	-	-	12,662,771
Federal sources	62,220	-	-	-	316,354	-	-	-	1,865,339
Other	-	-	-	-	-	2,454,658	231,451	73,855	2,801,770
Total receipts	62,220	-	-	-	316,354	2,454,658	231,451	73,855	23,078,611
Disbursements:									
Current:									
Instruction	62,060	-	-	-	337,087	-	-	-	9,070,159
Support services	-	-	-	-	-	-	-	-	6,944,042
Noninstructional services	-	-	-	-	-	-	-	-	1,324,092
Facilities acquisition and construction	-	-	-	-	-	-	-	-	241,355
Debt services	-	-	-	-	-	-	-	-	2,875,808
Nonprogrammed charges	-	-	-	-	-	2,415,046	233,774	73,708	2,724,528
Total disbursements	62,060	-	-	-	337,087	2,415,046	233,774	73,708	23,179,984
Excess (deficiency) of receipts over disbursements	160	-	-	-	(20,733)	39,612	(2,323)	147	(101,373)
Other financing sources (uses)									
Transfers in	-	-	-	-	20,733	-	-	-	560,266
Transfers out	(160)	-	-	-	-	-	-	-	(560,266)
Total other financing sources (uses)	(160)	-	-	-	20,733	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	39,612	(2,323)	147	(101,373)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,308	\$ 5,901	\$ 1,294	\$ 7,620,999

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Knox Middle School Building Corporation	KMS building project	\$ 2,233,000	01-05-08	01-05-21
Knox Middle School Building Corporation	QSBC (KHS project)	135,000	07-01-11	01-01-22
Apple	Computer equipment	382,595	06-15-11	06-15-14
Conn Selmer	Band instruments	<u>29,443</u>	06-30-11	06-30-13
Total of annual lease payments		<u>\$ 2,780,038</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pensions	\$ 2,330,000	\$ 329,822
Notes and loans payable	Classroom construction	<u>511,750</u>	<u>63,635</u>
Totals		<u>\$ 2,841,750</u>	<u>\$ 393,457</u>

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2012

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

	<u>Ending Balance</u>
Governmental activities	
Land	\$ 2,072,200
Buildings	35,245,512
Improvements other than buildings	2,760,285
Machinery and equipment	<u>4,397,492</u>
Total capital assets	<u>\$ 44,475,489</u>

KNOX COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

The summary report of capital assets did not agree to the totals shown on the detailed capital asset report. The summary report showed a total of \$44,512,722 and the detailed report showed a total of \$44,229,796. Totals of asset types shown on the detailed report did not equal the grand total of the detailed report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE***

The information presented for audit indicated the honor diploma students for the 2011 graduating class were incorrectly reported to the Indiana Department of Education. The School reported 35 honors students, but the verified number was 34.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Knox Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

December 17, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

KNOX COOMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through the Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 241,614	\$ 261,723
National School Lunch Program	10.555		566,675	594,681
Summer Food Service Program for Children	10.559		<u>24,234</u>	<u>25,865</u>
Total for cluster			<u>832,523</u>	<u>882,269</u>
Child and Adult Care Food Program	10.558		<u>9,172</u>	<u>10,394</u>
Total for federal grantor agency			<u>841,695</u>	<u>892,663</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through the Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		FY 2009-10	80,632	-
		FY 2010-11	354,678	176,869
		FY 2011-12	<u>-</u>	<u>348,326</u>
Total for program			<u>435,310</u>	<u>525,195</u>
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389			
		FY 2009-10	<u>37,238</u>	<u>-</u>
Total for cluster			<u>472,548</u>	<u>525,195</u>
Career and Technical Education -- Basic Grants to States	84.048			
		FY 2009-10	3,054	-
		FY 2010-11	4,301	-
		FY 2011-12	<u>-</u>	<u>7,714</u>
Total for program			<u>7,355</u>	<u>7,714</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186		<u>3,906</u>	<u>1,552</u>
Reading First State Grants	84.357			
		FY 2009-10	14,282	-
		FY 2010-11	92,231	62,060
		FY 2010-11 (Summer)	<u>84,957</u>	<u>-</u>
Total for program			<u>191,470</u>	<u>62,060</u>
Rural Education	84.358			
		FY 2009-10	18,934	-
		FY 2010-11	51,066	1,865
		FY 2011-12	<u>-</u>	<u>13,863</u>
Total for program			<u>70,000</u>	<u>15,728</u>
Improving Teacher Quality State Grants	84.367			
		FY 2009-10	94,314	-
		FY 2010-11	42,930	95,992
		FY 2011-12	<u>-</u>	<u>11,760</u>
Total for program			<u>137,244</u>	<u>107,752</u>
Education Jobs Fund	84.410		<u>-</u>	<u>316,354</u>
Total for federal grantor agency			<u>882,523</u>	<u>1,036,355</u>
Total federal awards expended			<u>\$ 1,724,218</u>	<u>\$ 1,929,018</u>

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Knox Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 16,419	\$ 20,404
National School Lunch Program	10.555	38,509	46,361

KNOX COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Title I, Part A Cluster Education Jobs Fund

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

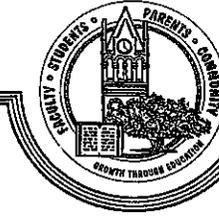
Auditee qualified as low-risk auditee? No

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.



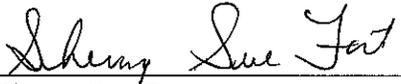
*Sherry Sue Fort*  
Business Manager

(574) 772-1604  
FAX: (574) 772-1608  
E-MAIL: [sfort@knox.k12.in.us](mailto:sfort@knox.k12.in.us)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2010-2, 2010-3, 2010-4, 2010-5  
Original SBA Audit Report Number: B38374  
Fiscal Year: 7/1/08 – 6/30/2010  
Contact Person: Sherry Fort  
Title: Treasurer  
Phone: 574-772-1604  
Status of Finding: Internal Control

The Knox Community School Corporation implemented more internal controls to include Principals, Department Heads, Building Treasurers, Deputy Treasurer, Treasurer and School Board to review accounting activities associated with each individual building or department.

  
\_\_\_\_\_  
Sherry Sue Fort

  
\_\_\_\_\_  
Date

KNOX COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2012, with Sherry Sue Fort, Treasurer; A.J. Gappa, Superintendent of Schools; and Harold Welter, President of the School Board. The officials concurred with our audit findings.