

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH KNOX SCHOOL CORPORATION
KNOX COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/14/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	G. Darlene Small Lori Edwards	07-01-11 to 06-30-13 07-01-13 to 06-30-14
Superintendent of Schools	Bradley D. Case Timothy A. Grove	07-01-11 to 06-30-12 07-01-12 to 06-30-14
President of the School Board	Alicia D. Houchin Dennis Carnahan	07-01-11 to 06-30-13 07-01-13 to 06-30-14



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the South Knox School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 12, 2014, 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* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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


Paul D. Joyce, CPA
State Examiner

February 12, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South Knox School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 12, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 12, 2014

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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.

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SOUTH KNOX SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 1,221,503	\$ 6,780,780	\$ 7,107,557	\$ 8,598	\$ 903,324	\$ 6,871,710	\$ 7,205,197	\$ 2,165	\$ 572,002
Debt Service	146,744	1,353,142	1,084,885	(4,296)	410,705	1,436,467	1,123,605	-	723,567
Retirement/Severance Bond Debt Service	51,656	219,352	223,608	-	47,400	246,389	229,458	-	64,331
Capital Projects	296,892	1,212,072	1,020,287	-	488,677	1,291,604	1,421,730	(97,298)	261,253
School Transportation	344,509	1,319,652	1,136,560	5,922	533,523	1,400,481	1,184,204	(97,400)	652,400
School Bus Replacement	191,542	64,336	39,243	5,000	221,635	54,162	159,174	-	116,623
Rainy Day	894,834	-	88,082	-	806,752	-	190,202	200,000	816,550
School Lunch	70,476	518,807	519,785	-	69,498	524,429	539,578	-	54,349
Textbook Rental	52,166	115,195	123,807	4,296	47,850	114,809	71,060	-	91,599
Self-Insurance	455,346	190,903	407,987	-	238,262	415,030	458,415	-	194,877
Levy Excess	5,922	-	-	(5,922)	-	-	-	-	-
Educational License Plates	-	375	375	-	-	263	263	-	-
Education Foundation Donations	7,232	17,310	14,250	-	10,292	20,269	14,524	-	16,037
Extra-Curricular Activities	3,555	-	-	-	3,555	250	3,805	-	-
Gifted and Talented Grant	1,433	28,934	29,858	-	509	27,992	27,206	-	1,295
School Technology	1,788	16,228	16,926	-	1,090	7,372	7,549	-	913
Iread K-2	(1,327)	2,500	434	-	739	-	90	-	649
Advancing Academic Excellence	2,629	4,765	7,536	-	(142)	3,040	2,513	142	527
P.L. 107-110 ESEA Title 1 FY 11	-	23,977	23,977	-	-	-	-	-	-
P.L. 107-110 Title 1 FY 12	-	61,168	68,316	-	(7,148)	26,492	19,344	-	-
P.L. 107-110 Title 1 FY 13	-	-	-	-	-	57,377	63,557	-	(6,180)
P.L. 105-17 IDEA Part B	-	164,131	183,348	-	(19,217)	57,982	38,765	-	-
IDEA Part B FY 2013	-	-	-	-	-	174,976	188,233	-	(13,257)
IDEA P.L. 101-476 FY 2011	144	54,057	54,201	-	-	-	-	-	-
PL 107-110 Drug Free FY 09-10	-	1,397	1,397	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	3,702	17,930	24,139	-	(2,507)	35,218	35,318	-	(2,607)
Special Education - Part B	(1,502)	9,297	7,795	-	-	-	-	-	-
Qualified School Construction Bond	1,658,850	2,732	1,413,130	-	248,452	87	248,539	-	-
Education Jobs	677	20,528	21,205	-	-	4,353	4,353	-	-
Prepaid Food	-	13,589	333	-	13,256	1,669	886	-	14,039
Payroll Withholding	63,914	1,677,358	1,677,549	-	63,723	1,822,681	1,832,323	-	54,081
Totals	\$ 5,472,685	\$ 13,890,515	\$ 15,296,570	\$ 13,598	\$ 4,080,228	\$ 14,595,102	\$ 15,069,891	\$ 7,609	\$ 3,613,048

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

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources 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.

SOUTH KNOX 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 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, and self-insurance payments.

F. Other Financing Sources and Uses

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

Sale of capital assets 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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

SOUTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
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. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of reimbursements from federal grants not being received by the financial statement ending date.

Note 8. Restatements

For the year ended June 30, 2012, certain changes have been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

SOUTH KNOX SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
Payroll Withholdings	\$ -	\$ 63,914	\$ 63,9134

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with South 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 years 2012 and 2013 totaled \$949,500 and \$950,000, respectively.

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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.

SOUTH KNOX 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	Rainy Day	School Lunch	Textbook Rental	Self- Insurance
Cash and investments - beginning	\$ 1,221,503	\$ 146,744	\$ 51,656	\$ 296,892	\$ 344,509	\$ 191,542	\$ 894,834	\$ 70,476	\$ 52,166	\$ 455,346
Receipts:										
Local sources	77,610	1,353,142	219,352	1,209,273	1,319,510	64,336	-	339,135	88,376	190,903
Intermediate sources	896	-	-	-	-	-	-	-	-	-
State sources	6,684,306	-	-	-	-	-	-	6,929	26,519	-
Federal sources	7,999	-	-	-	-	-	-	171,730	-	-
Other	9,969	-	-	2,799	142	-	-	1,013	300	-
Total receipts	6,780,780	1,353,142	219,352	1,212,072	1,319,652	64,336	-	518,807	115,195	190,903
Disbursements:										
Current:										
Instruction	5,007,023	-	-	-	-	-	5,000	-	-	-
Support services	1,961,991	60	-	699,483	1,136,560	39,243	2,000	-	123,807	-
Noninstructional services	138,543	-	-	-	-	-	-	517,464	-	-
Facilities acquisition and construction	-	-	-	320,804	-	-	81,082	2,321	-	-
Debt services	-	1,084,825	223,608	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	407,987
Total disbursements	7,107,557	1,084,885	223,608	1,020,287	1,136,560	39,243	88,082	519,785	123,807	407,987
Excess (deficiency) of receipts over disbursements	(326,777)	268,257	(4,256)	191,785	183,092	25,093	(88,082)	(978)	(8,612)	(217,084)
Other financing sources (uses):										
Sale of capital assets	8,598	-	-	-	-	5,000	-	-	-	-
Transfers in	-	-	-	-	5,922	-	-	-	4,296	-
Transfers out	-	(4,296)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,598	(4,296)	-	-	5,922	5,000	-	-	4,296	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(318,179)	263,961	(4,256)	191,785	189,014	30,093	(88,082)	(978)	(4,316)	(217,084)
Cash and investments - ending	\$ 903,324	\$ 410,705	\$ 47,400	\$ 488,677	\$ 533,523	\$ 221,635	\$ 806,752	\$ 69,498	\$ 47,850	\$ 238,262

SOUTH KNOX 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)

	Levy Excess	Educational License Plates	Education Foundation Donations	Extra- Curricular Activities	Gifted and Talented Grant	School Technology	Iread K-2	Advancing Academic Excellence	P.L. 107-110 ESEA Title I FY 11	P.L. 107-110 Title I FY 12
Cash and investments - beginning	\$ 5,922	\$ -	\$ 7,232	\$ 3,555	\$ 1,433	\$ 1,788	\$ (1,327)	\$ 2,629	\$ -	\$ -
Receipts:										
Local sources	-	-	17,060	-	-	-	-	-	-	-
Intermediate sources	-	375	-	-	-	-	-	4,556	-	-
State sources	-	-	-	-	28,934	1,644	2,500	-	-	-
Federal sources	-	-	-	-	-	14,361	-	-	23,977	61,168
Other	-	-	250	-	-	223	-	209	-	-
Total receipts	-	375	17,310	-	28,934	16,228	2,500	4,765	23,977	61,168
Disbursements:										
Current:										
Instruction	-	375	8,383	-	29,858	-	434	7,536	23,977	68,316
Support services	-	-	5,867	-	-	16,926	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	375	14,250	-	29,858	16,926	434	7,536	23,977	68,316
Excess (deficiency) of receipts over disbursements	-	-	3,060	-	(924)	(698)	2,066	(2,771)	-	(7,148)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(5,922)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(5,922)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,922)	-	3,060	-	(924)	(698)	2,066	(2,771)	-	(7,148)
Cash and investments - ending	\$ -	\$ -	\$ 10,292	\$ 3,555	\$ 509	\$ 1,090	\$ 739	\$ (142)	\$ -	\$ (7,148)

SOUTH KNOX 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)

	P.L. 105-17 IDEA Part B	IDEA P.L. 101-476 FY 2011	PL 107-110 Drug Free FY 09-10	Improving Teaching Quality No Child Left Title II, Part A	Special Education Part B	Qualified School Construction Bond	Education Jobs	Prepaid Food	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ 144	\$ -	\$ 3,702	\$ (1,502)	\$ 1,658,850	\$ 677	\$ -	\$ 63,914	\$ 5,472,685
Receipts:										
Local sources	-	-	-	-	-	2,732	-	13,589	1,677,358	6,572,376
Intermediate sources	-	-	-	-	-	-	-	-	-	5,827
State sources	-	-	-	-	-	-	-	-	-	6,750,832
Federal sources	164,131	54,057	1,397	17,930	9,297	-	20,528	-	-	546,575
Other	-	-	-	-	-	-	-	-	-	14,905
Total receipts	164,131	54,057	1,397	17,930	9,297	2,732	20,528	13,589	1,677,358	13,890,515
Disbursements:										
Current:										
Instruction	183,348	54,201	-	24,139	4,312	-	19,379	333	1,677,549	7,114,163
Support services	-	-	1,397	-	-	237,567	1,826	-	-	4,226,727
Noninstructional services	-	-	-	-	-	-	-	-	-	656,007
Facilities acquisition and construction	-	-	-	-	-	1,175,563	-	-	-	1,579,770
Debt services	-	-	-	-	-	-	-	-	-	1,308,433
Nonprogrammed charges	-	-	-	-	3,483	-	-	-	-	411,470
Total disbursements	183,348	54,201	1,397	24,139	7,795	1,413,130	21,205	333	1,677,549	15,296,570
Excess (deficiency) of receipts over disbursements	(19,217)	(144)	-	(6,209)	1,502	(1,410,398)	(677)	13,256	(191)	(1,406,055)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	13,598
Transfers in	-	-	-	-	-	-	-	-	-	10,218
Transfers out	-	-	-	-	-	-	-	-	-	(10,218)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	13,598
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,217)	(144)	-	(6,209)	1,502	(1,410,398)	(677)	13,256	(191)	(1,392,457)
Cash and investments - ending	\$ (19,217)	\$ -	\$ -	\$ (2,507)	\$ -	\$ 248,452	\$ -	\$ 13,256	\$ 63,723	\$ 4,080,228

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 903,324	\$ 410,705	\$ 47,400	\$ 488,677	\$ 533,523	\$ 221,635	\$ 806,752	\$ 69,498	\$ 47,850
Receipts:									
Local sources	43,665	1,436,467	246,389	1,290,352	1,399,672	54,162	-	351,083	89,985
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	6,803,510	-	-	-	-	-	-	7,410	24,524
Federal sources	8,123	-	-	-	-	-	-	165,936	-
Other	16,412	-	-	1,252	809	-	-	-	300
Total receipts	6,871,710	1,436,467	246,389	1,291,604	1,400,481	54,162	-	524,429	114,809
Disbursements:									
Current:									
Instruction	5,026,423	-	-	-	-	-	106,881	-	-
Support services	2,040,113	60	-	905,079	1,184,204	159,174	33,774	-	71,060
Noninstructional services	138,661	-	-	-	-	-	2,010	538,724	-
Facilities acquisition and construction	-	-	-	516,651	-	-	47,537	854	-
Debt services	-	1,123,545	229,458	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	7,205,197	1,123,605	229,458	1,421,730	1,184,204	159,174	190,202	539,578	71,060
Excess (deficiency) of receipts over disbursements	(333,487)	312,862	16,931	(130,126)	216,277	(105,012)	(190,202)	(15,149)	43,749
Other financing sources (uses):									
Sale of capital assets	2,307	-	-	2,702	2,600	-	-	-	-
Transfers in	-	-	-	-	-	-	200,000	-	-
Transfers out	(142)	-	-	(100,000)	(100,000)	-	-	-	-
Total other financing sources (uses)	2,165	-	-	(97,298)	(97,400)	-	200,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(331,322)	312,862	16,931	(227,424)	118,877	(105,012)	9,798	(15,149)	43,749
Cash and investments - ending	\$ 572,002	\$ 723,567	\$ 64,331	\$ 261,253	\$ 652,400	\$ 116,623	\$ 816,550	\$ 54,349	\$ 91,599

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Self- Insurance	Educational License Plates	Education Foundation Donations	Extra- Curricular Activities	Gifted and Talented Grant	School Technology	Iread K-2	Advancing Academic Excellence	P.L. 107-110 Title I FY 12
Cash and investments - beginning	\$ 238,262	\$ -	\$ 10,292	\$ 3,555	\$ 509	\$ 1,090	\$ 739	\$ (142)	\$ (7,148)
Receipts:									
Local sources	295,308	-	20,035	-	-	-	-	-	-
Intermediate sources	-	263	-	250	-	-	-	3,040	-
State sources	-	-	-	-	27,992	7,101	-	-	-
Federal sources	-	-	-	-	-	-	-	-	26,492
Other	119,722	-	234	-	-	271	-	-	-
Total receipts	415,030	263	20,269	250	27,992	7,372	-	3,040	26,492
Disbursements:									
Current:									
Instruction	-	263	11,330	250	27,206	-	90	2,513	19,344
Support services	-	-	3,194	-	-	7,549	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	3,555	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	458,415	-	-	-	-	-	-	-	-
Total disbursements	458,415	263	14,524	3,805	27,206	7,549	90	2,513	19,344
Excess (deficiency) of receipts over disbursements	(43,385)	-	5,745	(3,555)	786	(177)	(90)	527	7,148
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	142	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	142	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(43,385)	-	5,745	(3,555)	786	(177)	(90)	669	7,148
Cash and investments - ending	\$ 194,877	\$ -	\$ 16,037	\$ -	\$ 1,295	\$ 913	\$ 649	\$ 527	\$ -

SOUTH KNOX SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	P.L. 107-110 Title I FY 13	P.L. 105-17 IDEA Part B	IDEA Part B FY 2013	Improving Teaching Quality No Child Left Title II, Part A	Qualified School Construction Bond	Education Jobs	Prepaid Food	Payroll Withholding	Totals
Cash and investments - beginning	\$ -	\$ (19,217)	\$ -	\$ (2,507)	\$ 248,452	\$ -	\$ 13,256	\$ 63,723	\$ 4,080,228
Receipts:									
Local sources	-	-	-	-	87	-	-	-	5,227,205
Intermediate sources	-	-	-	-	-	-	-	-	3,553
State sources	-	-	-	-	-	-	-	-	6,870,537
Federal sources	57,377	57,982	174,976	35,218	-	4,353	1,669	1,822,681	2,354,807
Other	-	-	-	-	-	-	-	-	139,000
Total receipts	57,377	57,982	174,976	35,218	87	4,353	1,669	1,822,681	14,595,102
Disbursements:									
Current:									
Instruction	63,557	38,765	188,233	35,318	-	4,353	886	1,832,323	7,357,735
Support services	-	-	-	-	4,239	-	-	-	4,408,446
Noninstructional services	-	-	-	-	-	-	-	-	679,395
Facilities acquisition and construction	-	-	-	-	244,300	-	-	-	812,897
Debt services	-	-	-	-	-	-	-	-	1,353,003
Nonprogrammed charges	-	-	-	-	-	-	-	-	458,415
Total disbursements	63,557	38,765	188,233	35,318	248,539	4,353	886	1,832,323	15,069,891
Excess (deficiency) of receipts over disbursements	(6,180)	19,217	(13,257)	(100)	(248,452)	-	783	(9,642)	(474,789)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	7,609
Transfers in	-	-	-	-	-	-	-	-	200,142
Transfers out	-	-	-	-	-	-	-	-	(200,142)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	7,609
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,180)	19,217	(13,257)	(100)	(248,452)	-	783	(9,642)	(467,180)
Cash and investments - ending	\$ (6,180)	\$ -	\$ (13,257)	\$ (2,607)	\$ -	\$ -	\$ 14,039	\$ 54,081	\$ 3,613,048

SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2013

School Corporation	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 98,220</u>	<u>\$ 22,047</u>

SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: South Knox School Building Corp.	Elementary School Building	<u>\$ 949,500</u>	07-15-98	06-30-18

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds:			
2010 Qualified School Construction Bonds		\$ 1,600,000	\$ 210,728
Revenue bonds:			
2004 Pension bonds		325,000	224,240
Other debt		<u>-</u>	<u>-</u>
Totals		<u>\$ 1,925,000</u>	<u>\$ 434,968</u>

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SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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	\$ 50,000
Infrastructure	58,285
Buildings	10,609,890
Machinery, equipment, and vehicles	<u>2,636,623</u>
Total capital assets	<u>\$ 13,354,798</u>

SOUTH KNOX SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

FUND SOURCES AND USES

The South Knox School Corporation expended monies from Capital Projects Fund for hotel and conference fees for the Maintenance Director, trash removal services, pest control, cleaning services, and cleaning supplies. These are not allowable expenditures for the Capital Projects Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the South Knox 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, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

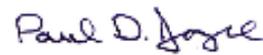
Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 12, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012	\$ 21,966	\$ -
			FY 2013	-	20,044
Total - School Breakfast Program				21,966	20,044
National School Lunch Program	Indiana Department of Education	10.555	FY 2012	179,316	-
			FY 2013	-	179,228
Total - National School Lunch Program				179,316	179,228
Total - Child Nutrition Cluster				201,282	199,272
Total - Department of Agriculture				201,282	199,272
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	2010/2011	23,977	-
			2011/2012	61,168	26,492
			2012/2013	-	57,376
Total - Title I, Part A Cluster				85,145	83,868
Special Education Cluster					
Special Education - Grants to States	Vincennes Community School Corp	84.027	FY 2010/11	54,057	-
			FY 2011/12	164,130	57,982
			FY 2012/13	-	174,975
Total - Special Education - Grants to States				218,187	232,957
ARRA - Special Education - Grants to States Recovery Act	Vincennes Community School Corp	84.391		9,297	-
Total - Special Education Cluster				227,484	232,957
Career and Technical Education - Basic Grants to States	Twin Rivers Career and Technical Education Area	84.048		7,999	8,123
Improving Teacher Quality State Grants					
	Indiana Department of Education	84.367	FY 2010/11	8,438	-
			FY 2011/12	9,492	18,239
			FY 2012/13	-	16,979
Total - Improving Teacher Quality State Grants				17,930	35,218
Education Jobs Fund	Indiana Department of Education	84.410		20,528	4,353
Total for federal grantor agency				359,086	364,519
Total federal awards expended				\$ 560,368	\$ 563,791

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

SOUTH KNOX 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 South Knox 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, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	\$ 29,552	\$ 33,336

SOUTH KNOX SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

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.

SOUTH KNOX SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2014, with G. Darlene Small, Business Manager; Lori Edwards, Treasurer; Timothy A. Grove, Superintendent of Schools; and Dennis Carnahan, President of the School Board.