

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTH KNOX SCHOOL CORPORATION
KNOX COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
03/15/2013

*This report is being
reissued on 4-25-13 to
include a new Official
Response.*

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------|----------------------|
| Treasurer | Peggy E. Smith | 07-01-10 to 08-28-12 |
| | (Vacant) | 08-29-12 to 09-09-12 |
| | Terri Roesler (Interim) | 09-10-12 to 11-18-12 |
| | Terri Roesler | 11-19-12 to 06-30-13 |
| Superintendent of Schools | Dr. Darrel L. Bobe | 07-01-10 to 06-30-13 |
| President of the School Board | (Vacant) | 07-01-10 to 07-29-10 |
| | James E. Franklin | 07-30-10 to 06-30-11 |
| | James Dotson | 07-01-11 to 06-30-13 |
| | | |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the North Knox 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 statement 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.

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 February 14, 2013, 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 Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Long-Term 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

February 14, 2013



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

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

We have audited the financial statement of the North Knox School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 14, 2013. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

February 14, 2013

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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NORTH KNOX 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 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-11 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-12 |
|---|-------------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|
| General | \$ 1,995,434 | \$ 9,379,946 | \$ 9,729,475 | \$ 442 | \$ 1,646,347 | \$ 9,106,155 | \$ 9,184,906 | \$ 4,379 | \$ 1,571,975 |
| Debt Service | 533,966 | 640,846 | 449,133 | (323,274) | 402,405 | 700,094 | 574,994 | - | 527,505 |
| Retirement/Severance Bond Debt Service | 31,786 | 327,173 | 148,388 | 23,274 | 233,845 | 309,089 | 299,932 | - | 243,002 |
| Capital Projects | 322,240 | 1,035,453 | 746,132 | - | 611,561 | 1,072,976 | 950,331 | - | 734,206 |
| School Transportation | 977,703 | 1,217,327 | 1,106,966 | 15,477 | 1,103,541 | 1,282,874 | 1,183,673 | - | 1,202,742 |
| School Bus Replacement | 597,794 | 243,205 | 78,958 | (500,000) | 262,041 | 159,564 | 155,877 | - | 265,728 |
| Rainy Day | 1,755,598 | - | 686,196 | 800,000 | 1,869,402 | - | 124,204 | - | 1,745,198 |
| Post-Retirement/Severance Future Benefits | 526,922 | - | 78,277 | - | 448,645 | - | 3,585 | - | 445,060 |
| School Lunch | 91,822 | 732,723 | 699,112 | - | 125,433 | 681,401 | 592,690 | - | 214,144 |
| Textbook Rental | 107,470 | 123,350 | 81,961 | - | 148,859 | 131,248 | 289,906 | - | (9,799) |
| Self-Insurance | 1,343,996 | 442,502 | 403,369 | - | 1,383,129 | 143,241 | - | - | 1,526,370 |
| Educational License Plates | 9,914 | 225 | - | - | 10,139 | 300 | - | - | 10,439 |
| Alternative Education | 1,107 | 448 | - | - | 1,555 | 2,701 | 1,060 | - | 3,196 |
| Early Intervention Grant | - | 500 | - | - | 500 | - | 500 | - | - |
| School Intervention and Career Counseling | 3,500 | - | - | - | 3,500 | - | - | - | 3,500 |
| ASAI Grant 09-10 | 535 | - | 535 | - | - | - | - | - | - |
| ASAI Grant 10-11 | - | 5,467 | 5,127 | - | 340 | - | 340 | - | - |
| ASAI Grant 11-12 | - | - | - | - | - | 4,467 | 3,072 | - | 1,395 |
| Adult and Continuing Education | - | - | - | - | - | 13,263 | 13,263 | - | - |
| Construction, Remodeling, and Equipping Buildings | - | 1,500 | - | - | 1,500 | - | - | - | 1,500 |
| Miscellaneous Programs | 7,373 | - | 270 | - | 7,103 | 3,250 | - | - | 10,353 |
| Duke Energy Foundation Grant | - | - | - | - | - | 1,850 | - | - | 1,850 |
| Toyota Science Grant | - | - | - | - | - | 1,000 | 1,000 | - | - |
| Books for Kids Donation | - | - | - | - | - | 50 | 45 | - | 5 |
| High Ability Grant FY10-11 | - | 30,328 | 30,204 | - | 124 | - | 124 | - | - |
| High Ability Grant FY11-12 | - | - | - | - | - | 29,308 | 18,615 | - | 10,693 |
| School Technology | - | 3,697 | 2,369 | - | 1,328 | 4,500 | 260 | - | 5,568 |
| Miscellaneous Programs | - | 9,922 | 6,251 | - | 3,671 | 11,842 | 8,838 | - | 6,675 |
| Excess PTRC Distributions | - | 15,477 | - | (15,477) | - | - | - | - | - |
| Title 1, FY09-10 | 103,324 | 36,870 | 87,008 | (53,186) | - | - | - | - | - |
| Title 1, FY 10-11 | - | 283,859 | 335,976 | 53,186 | 1,069 | 126,569 | 127,641 | - | (3) |
| Title 1, FY 11-12 | - | - | - | - | - | 298,469 | 287,580 | - | 10,889 |
| PL 94-142 Special Education, 08-09 | 5,309 | 69,246 | 74,555 | - | - | - | - | - | - |
| PL 94-142 Special Education, 09-10 | - | 175,292 | 153,650 | - | 21,642 | 68,025 | 80,838 | - | 8,829 |
| PL 101-476 IDEA 11-12 | - | - | - | - | - | 182,892 | 169,002 | - | 13,890 |
| Safe and Drug Free Community, 09-10 | 600 | - | 600 | - | - | - | - | - | - |
| Safe and Drug Free Community, 10-11 | - | - | - | - | - | 1,184 | 1,184 | - | - |
| Title V, Part A | 204 | - | - | - | 204 | - | - | - | 204 |
| Title II, Part A FY09 | - | 40,183 | 28,543 | - | 11,640 | 45,030 | 40,351 | - | 16,319 |
| Title II Part A FY10 | - | - | - | - | - | 37,891 | 29,833 | (2,413) | 5,645 |
| Title II, Part A FY11 | - | - | - | - | - | 34,781 | 27,850 | (1,966) | 4,965 |
| Rural Schools and Low Income Program 08-10 | - | 35,770 | 35,328 | (442) | - | - | - | - | - |
| Rural Schools and Low Income Program 09-11 | - | 3,159 | 3,159 | - | - | 32,356 | 32,356 | - | - |
| Title I - Grants to LEAs | 19,269 | 74,566 | 84,006 | - | 9,829 | 32,814 | 42,643 | - | - |
| Special Education - Part B | 22,596 | 52,513 | 75,109 | - | - | - | - | - | - |
| Totals | \$ 8,458,462 | \$ 14,981,547 | \$ 15,130,657 | \$ - | \$ 8,309,352 | \$ 14,519,184 | \$ 14,246,493 | \$ - | \$ 8,582,043 |

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

NORTH 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 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 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.

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.

NORTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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.

NORTH KNOX SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

NORTH 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.

NORTH KNOX 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 Corporations

The School Corporation has entered into a capital lease with North Knox School Building Corporation (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2011 and 2012 totaled \$845,582.57 and \$675,812.91, respectively.

Note 8. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefit; health insurance. The benefit poses a liability to the School Corporation for this year and in future years. Information regarding the benefit can be obtained by contacting the School Corporation.

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.

NORTH 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, 2011

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Rainy Day | Post Retirement/ Severance Future Benefits | School Lunch |
|---|--------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|--|-----------------|
| Cash and investments - beginning | \$ 1,995,434 | \$ 533,966 | \$ 31,786 | \$ 322,240 | \$ 977,703 | \$ 597,794 | \$ 1,755,598 | \$ 526,922 | \$ 91,822 |
| Receipts: | | | | | | | | | |
| Local sources | 38,925 | 629,144 | 327,173 | 1,019,691 | 1,213,208 | 243,205 | - | - | 292,008 |
| Intermediate sources | 799 | - | - | - | - | - | - | - | - |
| State sources | 9,319,208 | 11,702 | - | 10,096 | - | - | - | - | 5,576 |
| Federal sources | - | - | - | - | - | - | - | - | 435,139 |
| Other | 21,014 | - | - | 5,666 | 4,119 | - | - | - | - |
| Total receipts | 9,379,946 | 640,846 | 327,173 | 1,035,453 | 1,217,327 | 243,205 | - | - | 732,723 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 6,849,766 | - | - | - | - | - | 450,000 | - | - |
| Support services | 2,590,236 | - | - | 449,074 | 1,106,966 | 78,958 | 236,196 | 78,277 | 215 |
| Noninstructional services | 289,473 | - | - | - | - | - | - | - | 698,897 |
| Facilities acquisition and construction | - | - | - | 297,058 | - | - | - | - | - |
| Debt services | - | 449,133 | 148,388 | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 9,729,475 | 449,133 | 148,388 | 746,132 | 1,106,966 | 78,958 | 686,196 | 78,277 | 699,112 |
| Excess (deficiency) of receipts over disbursements | (349,529) | 191,713 | 178,785 | 289,321 | 110,361 | 164,247 | (686,196) | (78,277) | 33,611 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | 442 | - | 23,274 | - | 15,477 | - | 800,000 | - | - |
| Transfers out | - | (323,274) | - | - | - | (500,000) | - | - | - |
| Total other financing sources (uses) | 442 | (323,274) | 23,274 | - | 15,477 | (500,000) | 800,000 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (349,087) | (131,561) | 202,059 | 289,321 | 125,838 | (335,753) | 113,804 | (78,277) | 33,611 |
| Cash and investments - ending | \$ 1,646,347 | \$ 402,405 | \$ 233,845 | \$ 611,561 | \$ 1,103,541 | \$ 262,041 | \$ 1,869,402 | \$ 448,645 | \$ 125,433 |

NORTH 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, 2011
 (Continued)

| | Textbook Rental | Self- Insurance | Educational License Plates | Alternative Education | Early Intervention Grant | School Intervention and Career Counseling | ASAI Grant 09-10 | ASAI Grant 10-11 | Construction Remodeling and Equipping Buildings |
|---|--------------------|---------------------|----------------------------------|--------------------------|--------------------------------|---|---------------------|---------------------|---|
| Cash and investments - beginning | \$ 107,470 | \$ 1,343,996 | \$ 9,914 | \$ 1,107 | \$ - | \$ 3,500 | \$ 535 | \$ - | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 87,013 | 442,502 | - | - | - | - | - | 5,467 | 1,500 |
| Intermediate sources | - | - | 225 | - | - | - | - | - | - |
| State sources | 36,337 | - | - | 448 | 500 | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | <u>123,350</u> | <u>442,502</u> | <u>225</u> | <u>448</u> | <u>500</u> | <u>-</u> | <u>-</u> | <u>5,467</u> | <u>1,500</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | 526 | 3,463 | - |
| Support services | 81,961 | - | - | - | - | - | 9 | 1,664 | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | 403,369 | - | - | - | - | - | - | - |
| Total disbursements | <u>81,961</u> | <u>403,369</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>535</u> | <u>5,127</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>41,389</u> | <u>39,133</u> | <u>225</u> | <u>448</u> | <u>500</u> | <u>-</u> | <u>(535)</u> | <u>340</u> | <u>1,500</u> |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>41,389</u> | <u>39,133</u> | <u>225</u> | <u>448</u> | <u>500</u> | <u>-</u> | <u>(535)</u> | <u>340</u> | <u>1,500</u> |
| Cash and investments - ending | <u>\$ 148,859</u> | <u>\$ 1,383,129</u> | <u>\$ 10,139</u> | <u>\$ 1,555</u> | <u>\$ 500</u> | <u>\$ 3,500</u> | <u>\$ -</u> | <u>\$ 340</u> | <u>\$ 1,500</u> |

NORTH 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, 2011
 (Continued)

| | Miscellaneous Programs | High Ability Grant FY10-11 | School Technology | Miscellaneous Programs | Excess PTRC Distributions | Title 1 FY09-10 | Title 1 FY10-11 | PL 94-142 Special Education 08-09 | PL 94-142 Special Education 09-10 |
|---|---------------------------|-------------------------------|----------------------|---------------------------|---------------------------------|--------------------|--------------------|---|---|
| Cash and investments - beginning | \$ 7,373 | \$ - | \$ - | \$ - | \$ - | \$ 103,324 | \$ - | \$ 5,309 | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - |
| Intermediate sources | - | - | - | - | - | - | - | - | - |
| State sources | - | 30,328 | 3,697 | 9,922 | 15,477 | - | - | - | - |
| Federal sources | - | - | - | - | - | 36,870 | 283,859 | 69,246 | 175,292 |
| Other | - | - | - | - | - | - | - | - | - |
| Total receipts | - | 30,328 | 3,697 | 9,922 | 15,477 | 36,870 | 283,859 | 69,246 | 175,292 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | 30,204 | - | - | - | 55,940 | 226,236 | 74,555 | 151,796 |
| Support services | 270 | - | 2,369 | 6,251 | - | 8,412 | 35,197 | - | 1,854 |
| Noninstructional services | - | - | - | - | - | 22,656 | 74,543 | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - |
| Total disbursements | 270 | 30,204 | 2,369 | 6,251 | - | 87,008 | 335,976 | 74,555 | 153,650 |
| Excess (deficiency) of receipts over disbursements | (270) | 124 | 1,328 | 3,671 | 15,477 | (50,138) | (52,117) | (5,309) | 21,642 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 53,186 | - | - |
| Transfers out | - | - | - | - | (15,477) | (53,186) | - | - | - |
| Total other financing sources (uses) | - | - | - | - | (15,477) | (53,186) | 53,186 | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (270) | 124 | 1,328 | 3,671 | - | (103,324) | 1,069 | (5,309) | 21,642 |
| Cash and investments - ending | \$ 7,103 | \$ 124 | \$ 1,328 | \$ 3,671 | \$ - | \$ - | \$ 1,069 | \$ - | \$ 21,642 |

NORTH 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, 2011
 (Continued)

| | Safe and Drug Free Community 09-10 | Title V Part A | Title II Part A FY09 | Rural Schools and Low Income Program 08-10 | Rural Schools and Low Income Program 09-11 | Title I Grants to LEAs | Special Education Part B | Totals |
|---|---|-------------------|----------------------------|--|--|------------------------------|--------------------------------|--------------|
| Cash and investments - beginning | \$ 600 | \$ 204 | \$ - | \$ - | \$ - | \$ 19,269 | \$ 22,596 | \$ 8,458,462 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 4,299,836 |
| Intermediate sources | - | - | - | - | - | - | - | 1,024 |
| State sources | - | - | - | - | - | - | - | 9,443,291 |
| Federal sources | - | - | 40,183 | 35,770 | 3,159 | 74,566 | 52,513 | 1,206,597 |
| Other | - | - | - | - | - | - | - | 30,799 |
| Total receipts | - | - | 40,183 | 35,770 | 3,159 | 74,566 | 52,513 | 14,981,547 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 600 | - | 28,543 | - | - | 84,006 | 71,700 | 8,027,335 |
| Support services | - | - | - | 1 | 1,596 | - | 3,409 | 4,682,915 |
| Noninstructional services | - | - | - | - | - | - | - | 1,085,569 |
| Facilities acquisition and construction | - | - | - | 35,327 | 1,563 | - | - | 333,948 |
| Debt services | - | - | - | - | - | - | - | 597,521 |
| Nonprogrammed charges | - | - | - | - | - | - | - | 403,369 |
| Total disbursements | 600 | - | 28,543 | 35,328 | 3,159 | 84,006 | 75,109 | 15,130,657 |
| Excess (deficiency) of receipts over disbursements | (600) | - | 11,640 | 442 | - | (9,440) | (22,596) | (149,110) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 892,379 |
| Transfers out | - | - | - | (442) | - | - | - | (892,379) |
| Total other financing sources (uses) | - | - | - | (442) | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (600) | - | 11,640 | - | - | (9,440) | (22,596) | (149,110) |
| Cash and investments - ending | \$ - | \$ 204 | \$ 11,640 | \$ - | \$ - | \$ 9,829 | \$ - | \$ 8,309,352 |

NORTH 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 | Post Retirement/ Severance Future Benefits | School Lunch | Textbook Rental |
|---|--------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|--|-----------------|--------------------|
| Cash and investments - beginning | \$ 1,646,347 | \$ 402,405 | \$ 233,845 | \$ 611,561 | \$ 1,103,541 | \$ 262,041 | \$ 1,869,402 | \$ 448,645 | \$ 125,433 | \$ 148,859 |
| Receipts: | | | | | | | | | | |
| Local sources | 46,654 | 700,094 | 309,089 | 1,069,851 | 1,282,824 | 159,564 | - | - | 300,853 | 78,444 |
| Intermediate sources | 533 | - | - | - | - | - | - | - | - | - |
| State sources | 9,058,968 | - | - | - | - | - | - | - | 5,979 | 52,804 |
| Federal sources | - | - | - | - | - | - | - | - | 374,569 | - |
| Other | - | - | - | 3,125 | 50 | - | - | - | - | - |
| Total receipts | 9,106,155 | 700,094 | 309,089 | 1,072,976 | 1,282,874 | 159,564 | - | - | 681,401 | 131,248 |
| Disbursements: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction | 6,440,258 | - | - | - | - | - | 62,383 | - | - | 259 |
| Support services | 2,455,767 | - | - | 520,621 | 1,183,673 | 155,877 | 56,811 | 3,585 | 123 | 289,647 |
| Noninstructional services | 288,881 | - | - | - | - | - | 5,010 | - | 592,567 | - |
| Facilities acquisition and construction | - | - | - | 429,710 | - | - | - | - | - | - |
| Debt services | - | 574,994 | 299,932 | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - | - |
| Total disbursements | 9,184,906 | 574,994 | 299,932 | 950,331 | 1,183,673 | 155,877 | 124,204 | 3,585 | 592,690 | 289,906 |
| Excess (deficiency) of receipts over disbursements | (78,751) | 125,100 | 9,157 | 122,645 | 99,201 | 3,687 | (124,204) | (3,585) | 88,711 | (158,658) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 4,379 | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 4,379 | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (74,372) | 125,100 | 9,157 | 122,645 | 99,201 | 3,687 | (124,204) | (3,585) | 88,711 | (158,658) |
| Cash and investments - ending | \$ 1,571,975 | \$ 527,505 | \$ 243,002 | \$ 734,206 | \$ 1,202,742 | \$ 265,728 | \$ 1,745,198 | \$ 445,060 | \$ 214,144 | \$ (9,799) |

NORTH 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)

| | Self- Insurance | Educational License Plates | Alternative Education | Early Intervention Grant | School Intervention and Career Counseling | ASAI Grant 10-11 | ASAI Grant 11-12 | Adult and Continuing Education | Construction Remodeling and Equipping Buildings | Miscellaneous Programs |
|---|--------------------|----------------------------------|--------------------------|--------------------------------|---|---------------------|---------------------|---|---|---------------------------|
| Cash and investments - beginning | \$ 1,383,129 | \$ 10,139 | \$ 1,555 | \$ 500 | \$ 3,500 | \$ 340 | \$ - | \$ - | \$ 1,500 | \$ 7,103 |
| Receipts: | | | | | | | | | | |
| Local sources | 143,241 | - | - | - | - | - | 4,467 | 13,263 | - | 3,250 |
| Intermediate sources | - | 300 | - | - | - | - | - | - | - | - |
| State sources | - | - | 2,701 | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total receipts | 143,241 | 300 | 2,701 | - | - | - | 4,467 | 13,263 | - | 3,250 |
| Disbursements: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction | - | - | 1,060 | 500 | - | 340 | 1,951 | 13,263 | - | - |
| Support services | - | - | - | - | - | - | 1,121 | - | - | - |
| Noninstructional services | - | - | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - | - |
| Total disbursements | - | - | 1,060 | 500 | - | 340 | 3,072 | 13,263 | - | - |
| Excess (deficiency) of receipts over disbursements | 143,241 | 300 | 1,641 | (500) | - | (340) | 1,395 | - | - | 3,250 |
| 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 | 143,241 | 300 | 1,641 | (500) | - | (340) | 1,395 | - | - | 3,250 |
| Cash and investments - ending | \$ 1,526,370 | \$ 10,439 | \$ 3,196 | \$ - | \$ 3,500 | \$ - | \$ 1,395 | \$ - | \$ 1,500 | \$ 10,353 |

NORTH 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)

| | Duke Energy Foundation Grant | Toyota Science Grant | Books for Kids Donation | High Ability Grant FY10-11 | High Ability Grant FY 11-12 | School Technology | Miscellaneous Programs | Title 1 FY10-11 | Title 1 FY11-12 | PL 94-142 Special Education 09-10 |
|---|---------------------------------|-------------------------|----------------------------|-------------------------------|--------------------------------|----------------------|---------------------------|--------------------|--------------------|---|
| Cash and investments - beginning | \$ - | \$ - | \$ - | \$ 124 | \$ - | \$ 1,328 | \$ 3,671 | \$ 1,069 | \$ - | \$ 21,642 |
| Receipts: | | | | | | | | | | |
| Local sources | - | 1,000 | 50 | - | - | - | - | - | - | - |
| Intermediate sources | 1,850 | - | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | 29,308 | 4,500 | 11,842 | - | - | - |
| Federal sources | - | - | - | - | - | - | - | 126,569 | 298,469 | 68,025 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total receipts | 1,850 | 1,000 | 50 | - | 29,308 | 4,500 | 11,842 | 126,569 | 298,469 | 68,025 |
| Disbursements: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction | - | 1,000 | - | 124 | 18,615 | - | - | 75,432 | 250,297 | 80,462 |
| Support services | - | - | 45 | - | - | 260 | 8,838 | 16,146 | 1,563 | 376 |
| Noninstructional services | - | - | - | - | - | - | - | 36,063 | 35,720 | - |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - | - | - |
| Total disbursements | - | 1,000 | 45 | 124 | 18,615 | 260 | 8,838 | 127,641 | 287,580 | 80,838 |
| Excess (deficiency) of receipts over disbursements | 1,850 | - | 5 | (124) | 10,693 | 4,240 | 3,004 | (1,072) | 10,889 | (12,813) |
| 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 | 1,850 | - | 5 | (124) | 10,693 | 4,240 | 3,004 | (1,072) | 10,889 | (12,813) |
| Cash and investments - ending | \$ 1,850 | \$ - | \$ 5 | \$ - | \$ 10,693 | \$ 5,568 | \$ 6,675 | \$ (3) | \$ 10,889 | \$ 8,829 |

NORTH 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)

| | PL 101-476 IDEA 11-12 | Safe and Drug Free Community 10-11 | Title V Part A | Title II Part A FY09 | Title II Part A FY10 | Title II Part A FY11 | Rural Schools and Low Income Program 08-10 | Rural Schools and Low Income Program 09-11 | Title I Grants to LEAs | Totals |
|---|--------------------------|---|-------------------|----------------------------|----------------------------|----------------------------|--|--|------------------------------|--------------|
| Cash and investments - beginning | \$ - | \$ - | \$ 204 | \$ 11,640 | \$ - | \$ - | \$ - | \$ - | \$ 9,829 | \$ 8,309,352 |
| Receipts: | | | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - | - | 4,112,644 |
| Intermediate sources | - | - | - | - | - | - | - | - | - | 2,683 |
| State sources | - | - | - | - | - | - | - | - | - | 9,166,102 |
| Federal sources | 182,892 | 1,184 | - | 45,030 | 37,891 | 34,781 | - | 32,356 | 32,814 | 1,234,580 |
| Other | - | - | - | - | - | - | - | - | - | 3,175 |
| Total receipts | 182,892 | 1,184 | - | 45,030 | 37,891 | 34,781 | - | 32,356 | 32,814 | 14,519,184 |
| Disbursements: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction | 169,002 | 1,184 | - | 36,976 | 29,463 | 27,549 | - | - | 42,643 | 7,252,761 |
| Support services | - | - | - | 2,500 | - | - | - | 3,569 | - | 4,700,522 |
| Noninstructional services | - | - | - | - | - | - | - | - | - | 958,241 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 28,437 | - | 458,147 |
| Debt services | - | - | - | - | - | - | - | - | - | 874,926 |
| Nonprogrammed charges | - | - | - | 875 | 370 | 301 | - | 350 | - | 1,896 |
| Total disbursements | 169,002 | 1,184 | - | 40,351 | 29,833 | 27,850 | - | 32,356 | 42,643 | 14,246,493 |
| Excess (deficiency) of receipts over disbursements | 13,890 | - | - | 4,679 | 8,058 | 6,931 | - | - | (9,829) | 272,691 |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | 4,379 |
| Transfers out | - | - | - | - | (2,413) | (1,966) | - | - | - | (4,379) |
| Total other financing sources (uses) | - | - | - | - | (2,413) | (1,966) | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 13,890 | - | - | 4,679 | 5,645 | 4,965 | - | - | (9,829) | 272,691 |
| Cash and investments - ending | \$ 13,890 | \$ - | \$ 204 | \$ 16,319 | \$ 5,645 | \$ 4,965 | \$ - | \$ - | \$ - | \$ 8,582,043 |

NORTH KNOX SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

The School has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|------------------------------------|--------------------------------|---|
| Governmental activities: | | |
| Capital leases: | | |
| 2002 QZAB | \$ 491,150 | \$ 143,700 |
| 2003 QZAB | 970,373 | 114,403 |
| 2005 QZAB | 1,071,720 | 119,080 |
| 2007 QZAB | 1,420,701 | 139,125 |
| 2009 QZAB | 199,653 | - |
| SB516 School Building | 163,629 | 167,556 |
| Notes and loans payable | | |
| Bonds payable: | | |
| Retirement/Severance Bonds | <u>1,880,000</u> | <u>300,006</u> |
| Total governmental activities debt | <u>\$ 6,197,226</u> | <u>\$ 983,870</u> |

NORTH KNOX SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 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>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 337,729 |
| Buildings | 10,141,714 |
| Improvements other than buildings | 324,561 |
| Machinery and equipment | <u>2,007,965</u> |
| Total governmental activities, capital assets not being depreciated | <u><u>\$ 12,811,968</u></u> |

NORTH KNOX SCHOOL CORPORATION
OTHER REPORT

The audit report presented herein was prepared in addition to the other official report prepared for the individual School Corporation office listed below:

Audit Report of the Prior School Corporation Treasurer

NORTH KNOX SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

All claims did not have board approval.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities: were insufficient. The prior Treasurer prepared payments for expenditures with no further review made of the expenditures by another person, and the Treasurer wrote the checks and posted the ledger and reconciled the bank to the ledger. The School Board did not perform either an ongoing or separate evaluation of their system of internal controls which included the oversight responsibility the board had on expenditures of the School Corporation.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 NORTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

Compliance

We have audited the North 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, 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. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3.

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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-4 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

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

February 14, 2013

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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.

NORTH KNOX 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 Indiana Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program | 10.553 | | \$ 113,027 | \$ 105,482 |
| National School Lunch Program | 10.555 | | <u>289,779</u> | <u>307,706</u> |
| Total for federal grantor agency | | | <u>402,806</u> | <u>413,188</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Pass-Through Indiana Department of Education | | | | |
| Title 1, Part A Cluster | | | | |
| Title 1 Grants to Local Educational Agencies | 84.010 | | | |
| FY09-10 | | | 140,195 | - |
| FY10-11 | | | 335,974 | 127,640 |
| FY11-12 | | | - | <u>287,580</u> |
| Total for program | | | <u>476,169</u> | <u>415,220</u> |
| ARRA - Title 1, Grants to Local Educational Agencies, Recovery Act | 84.389 | | <u>84,005</u> | <u>42,643</u> |
| Total for cluster | | | <u>560,174</u> | <u>457,863</u> |
| Pass-Through Vincennes Community School Corporation | | | | |
| Special Education Cluster | | | | |
| Special Education - Grants to States | 84.027 | | | |
| 94-142 | | | 74,554 | - |
| FY10-11 | | | 153,649 | 80,838 |
| FY11-12 | | | - | <u>169,002</u> |
| Total for program | | | <u>228,203</u> | <u>249,840</u> |
| Pass-Through Indiana Department of Education | | | | |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | | <u>75,109</u> | - |
| Total for cluster | | | <u>303,312</u> | <u>249,840</u> |
| Safe and Drug Free Schools and Communities - State Grants | 84.186 | | | |
| 2009-2010 | | | 600 | - |
| 2010-2011 | | | - | <u>1,184</u> |
| Total for program | | | <u>600</u> | <u>1,184</u> |
| Rural Education | 84.358 | | | |
| FY08 | | | 35,770 | - |
| FY09 | | | <u>3,159</u> | <u>32,356</u> |
| Total for program | | | <u>38,929</u> | <u>32,356</u> |
| Improving Teacher Quality State Grants | 84.367 | | | |
| FY09 | | | 28,543 | 40,351 |
| FY10 | | | - | 32,246 |
| FY11 | | | - | <u>29,816</u> |
| Total for program | | | <u>28,543</u> | <u>102,413</u> |
| Total for federal grantor agency | | | <u>931,558</u> | <u>843,656</u> |
| Total federal awards expended | | | <u>\$ 1,334,364</u> | <u>\$ 1,256,844</u> |

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Knox School Corporation (School Corporation) and is presented in accordance with the 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 | \$ 9,233 | \$ 10,177 |
| National School Lunch Program | 10.555 | 25,940 | 29,820 |

NORTH 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; Unqualified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | no |
| Noncompliance material to financial statement noted? | no |

Federal Awards:

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | no |
| 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? | yes |

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title 1, Part A 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

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of North Knox School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Examples of these are: School Corporation Treasurer prepared payments for expenditures with no further review being made of the expenditures by another person, and School Corporation Treasurer writes the checks and posts the ledger and reconciles the bank to the ledger.

NORTH KNOX SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls which includes the oversight responsibility the School Board has on expenditures of the School Corporation. Putting complete responsibility of incompatible activities related to financial transactions on the School Corporation Treasurer only increases the risk that material misstatements or fraud will not be prevented, detected, or corrected on a timely basis. The failure to exercise their oversight responsibility also places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2012-2 - EXPENDITURES OF GOVERNMENTAL FUNDS

Several instances were noted during the audit of payments of personal expenses by the prior School Corporation Treasurer. In addition, there were errors in posting financial transactions to the schools ledgers.

1. Personal expenses were made on the School Corporation's credit card by the prior School Corporation Treasurer. Wireless phone bills, utility bills, gasoline, payments to rental companies, restaurant bills, and clothing stores were some of the types of expenditures noted.
2. Manual checks were written to the prior School Corporation Treasurer but never posted to the ledger. There was no documentation as to what the checks were for. It was noted that other expenditures had checks written for the proper amount but were posted to the ledger for amounts higher. The variances between the checks and the amount of the postings were for the amounts of the various manual checks written to the prior School Corporation Treasurer.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. 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)

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)

NORTH KNOX SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - PERIOD OF AVAILABILITY AND REPORTING

Federal Agency: United States Department of Education
Federal Program: Title 1 Grants to Local Educational Agencies
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010 and 84.389
Federal Award Number and Year (or Other Identifying Number): FY10-11, FY 2009
Pass-Through Entity: Indiana Department of Education

Our review of the expenditures of grant funds indicated multiple instances of noncompliance with period of availability requirements. The expenditures were for payroll, employee withholdings, and employee benefits for payroll periods after September 30, 2011. The School Corporation pays payroll one month behind; therefore, September payroll expenses are paid in October. Both of the grants required obligation of funds prior to September 30, 2011. The expenditures noted were paid in November and December of 2011, which would of been for payroll periods ending in October and November of 2011. Since the payroll periods are outside of the period of availability, these expenditures would not have been considered to be obligated as of September 30, 2011.

A review of the Annual Financial Reports for both Title 1 Grants to Local Educational Agencies FY 10-11 and ARRA-Title 1 Grants to Local Educational Agencies, Recovery Act FY2009 reflected incorrect reporting. Expenditures that were made outside the period of availability were included on the Annual Financial Reports for both grants.

The grant expenditures noted above as obligated outside of applicable periods of availability are inappropriate expenditures for the grants and totaled \$12,864.39. Funds not obligated within the period of availability should have been returned to the grantor.

Incorrect reporting prevents the state and federal agencies from monitoring the program in an effective manner.

34CFR80.23 states:

"(a) Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances maybe charged for costs resulting from obligations of the subsequent funding period.

NORTH KNOX SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee."

34CFR80.2 (b)(1) states: "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

We recommended that the officials of the School Corporation gain an understanding of the requirements related to the period of availability and reporting to ensure that those requirements are followed.

FINDING 2012-4 - INTERNAL CONTROLS OVER TITLE 1

Federal Agency: United States Department of Education
Federal Program: Title 1 Grants to Local Educational Agencies
ARRA-Title 1 Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010 and 84.389
Federal Award Number and Year (or Other Identifying Number): FY10-11, FY 2009
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; allowable activities, allowable costs, cash management, eligibility, level of effort, period of availability, reporting, and special tests and provisions. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

NORTH KNOX SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

CORRECTIVE ACTION PLAN

FINDING 2012-3 – PERIOD OF AVAILABILITY AND REPORTING

Auditee Contact Person: Terri Roesler
Title of Contact Person: Business Manager/Treasurer
Phone Number: (812) 735-4434

Corrective Action:

Stricter monitoring of all grants has been put into place with the employment of a new treasurer. The treasurer will work closely with the payroll clerk to monitor payments for payroll transactions and benefits falling within the time periods as outlined in each grant. In addition to reviewing all payroll transactions, the treasurer will also provide the payroll clerk with timeframes for grants being paid through the payroll department.

Signature: Terri Roesler Date: 2/12/13
Terri Roesler
Business Manager/Treasurer

CORRECTIVE ACTION PLAN

FINDING 2012-4 – INTERNAL CONTROLS OVER TITLE I

Auditee Contact Person: Terri Roesler
Title of Contact Person: Business Manager/Treasurer
Phone Number: (812) 735-4434

Corrective Action:

The treasurer and principal of the Title I school will work together to oversee the implementation of current and future Title I grants. This includes monitoring timelines for submitting reports and that funds are being spent properly and within the allocated time frame. The treasurer will also forward the principal monthly reports so that the principal may monitor the expenditures and balances in the Title I account.

Signature: Terri Roesler Date: 2/12/13
Terri Roesler
Business Manager/Treasurer

CORRECTIVE ACTION PLAN

FINDING 2012-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Auditee Contact Person: Terri Roesler
Title of Contact Person: Business Manager/Treasurer
Phone Number: (812) 735-4434

Corrective Action:

Stricter monitoring of the day to day operation of the financial office has been put into place with the employment of a new treasurer in November 2012. Steps have been taken for the treasurer and payroll clerk to gain a better understanding of the duties of each office to monitor the efficiency and effectiveness of both operations. Segregation of duties will also be looked at in the future.

Signature: Terri Roesler Date: 2/12/13
Terri Roesler
Business Manager/Treasurer

CORRECTIVE ACTION PLAN

FINDING 2012-2 – EXPENDITURES OF GOVERNMENTAL FUNDS

Auditee Contact Person: Terri Roesler
Title of Contact Person: Business Manager/Treasurer
Phone Number: (812) 735-4434

Corrective Action:

The superintendent and treasurer have taken action to curb excessive spending. Quotes are taken from vendors to ensure the best possible price is obtained when making purchases. Strict measures have also been taken on the use of corporation credit cards to guarantee only authorized purchases are made.

Signature: Terri Roesler Date: 2/12/13
Terri Roesler
Business Manager/Treasurer

NORTH KNOX SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2013, with Dr. Darrel L. Bobe, Superintendent of Schools; James Dotson, President of the School Board; Max Nickless, School Board member; and Terri Roesler, Treasurer. The Official Response has been a part of this report and can be found on page 46.


NORTH KNOX SCHOOL CORPORATION RESPONSE

On August 28, 2012 the North Knox school superintendent, while reviewing school corporation invoices, discovered discrepancies with a credit card bill. After a more thorough review of the bill, he contacted one of the school board members. Later that day the superintendent and school board member met with the former treasurer regarding the credit card discrepancy. During the meeting, the former treasurer admitted to the superintendent and school board member that she had used the school corporation credit card for personal purchases. The former treasurer's last date of employment was August 28, 2012.

The superintendent immediately contacted the State Board of Accounts to report the credit card discrepancy. He was informed at that time that since the school corporation was due for an audit later that fall that the State Board of Accounts would review the material during their regular audit.

An interim treasurer was appointed. An outside agency was also contacted to assist with the day to day operation of the Treasurer's office. During this transition period, additional discrepancies were discovered. Again, the State Board of Accounts was contacted and advised the school corporation to keep a record of the new findings which would be analyzed when they came in for the regular audit.

During the course of the audit and investigation, auditors expressed their appreciation to the staff of the North Knox School Corporation for bringing the matter to their attention and for supplying them with the additional documentation. State Board of Accounts auditors noted that without the help of the North Knox staff, many of the discrepancies may not have been discovered.



Dr. Darrel Bobe, Superintendent