

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

AUDIT REPORT

OF

PAOLI COMMUNITY SCHOOL CORPORATION

ORANGE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/27/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	13-14
Notes to Financial Statements	15-25
Required Supplementary Information:	
Schedule of Funding Progress	26
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	27-34
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	35-36
Schedule of Capital Assets.....	37
Schedule of Long-Term Debt	38
Audit Result and Comment:	
Collection of Amounts Due	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	42-43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs	46
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	47
Exit Conference.....	48

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lindsay J. Kimmel G. Brooke Hill	07-01-05 to 06-11-06 06-12-06 to 06-30-08
Superintendent of Schools	Dr. Alva L. Sibbitt, Jr.	07-01-05 to 06-30-11
President of the School Board	James W. McDonald	07-01-05 to 06-30-08



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

TO: THE OFFICIALS OF THE PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paoli Community School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 14, 2008, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

January 14, 2008



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

TO: THE OFFICIALS OF THE PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paoli Community School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

January 14, 2008

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,936,935	\$ -	\$ 187,556	\$ (5,749,379)
Support services	7,842,452	333,922	366,295	(7,142,235)
Community services	193,901	-	-	(193,901)
Nonprogrammed charges	2,139,183	-	-	(2,139,183)
Debt service	<u>1,177,398</u>	<u>-</u>	<u>-</u>	<u>(1,177,398)</u>
Total governmental activities	<u>\$ 17,289,869</u>	<u>\$ 333,922</u>	<u>\$ 553,851</u>	<u>(16,402,096)</u>
General receipts:				
Property taxes				3,409,254
Other local sources				1,333,081
State aid				8,104,605
Bonds and loans				2,225,647
Grants and contributions not restricted to specific programs				617,441
Sale of property, adjustments, and refunds				95,318
Investment earnings				<u>138,884</u>
Total general receipts				<u>15,924,230</u>
Change in net assets				(477,866)
Net assets - beginning				<u>4,567,055</u>
Net assets - ending				<u>\$ 4,089,189</u>
<u>Assets</u>				
Cash and investments				\$ 3,290,146
Restricted assets:				
Cash and investments				<u>799,043</u>
Total assets				<u>\$ 4,089,189</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 329,528
Other purposes				469,515
Unrestricted				<u>3,290,146</u>
Total net assets				<u>\$ 4,089,189</u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,713,678	\$ -	\$ 166,953	\$ (5,546,725)
Support services	5,399,638	338,708	364,087	(4,696,843)
Community services	164,012	-	-	(164,012)
Nonprogrammed charges	2,111,402	-	-	(2,111,402)
Debt service	<u>1,331,015</u>	<u>-</u>	<u>-</u>	<u>(1,331,015)</u>
Total governmental activities	<u>\$ 14,719,745</u>	<u>\$ 338,708</u>	<u>\$ 531,040</u>	<u>(13,849,997)</u>
General receipts:				
Property taxes				2,246,682
Other local sources				1,250,479
State aid				8,256,142
Bonds and loans				45,274
Grants and contributions not restricted to specific programs				544,496
Sale of property, adjustments, and refunds				118,614
Investment earnings				<u>158,954</u>
Total general receipts				<u>12,620,641</u>
Change in net assets				(1,229,356)
Net assets - beginning				<u>4,089,189</u>
Net assets - ending				<u>\$ 2,859,833</u>
<u>Assets</u>				
Cash and investments				\$ 2,295,970
Restricted assets:				
Cash and investments				<u>563,863</u>
Total assets				<u>\$ 2,859,833</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 447
Other purposes				563,416
Unrestricted				<u>2,295,970</u>
Total net assets				<u>\$ 2,859,833</u>

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction - Throop Elementary Renovation	Other	Totals
Receipts:								
Local sources	\$ 2,167,200	\$ 400,300	\$ 1,356,506	\$ 322,236	\$ 79,906	\$ 135	\$ 393,588	\$ 4,719,871
Intermediate sources	17,807	-	-	-	-	-	544	18,351
State sources	8,250,859	-	-	-	-	-	125,172	8,376,031
Federal sources	-	-	-	-	-	-	899,867	899,867
Bonds and loans	-	-	-	-	-	2,225,647	-	2,225,647
Sale of property, adjustments and refunds	95,026	232	-	-	-	-	60	95,318
Interfund loans	53,000	-	-	-	-	-	-	53,000
Total receipts	10,583,892	400,532	1,356,506	322,236	79,906	2,225,782	1,419,231	16,388,085
Disbursements:								
Current:								
Instruction	5,283,025	-	-	-	-	155,614	498,296	5,936,935
Support services	3,353,958	572,418	-	345,475	99,998	2,076,227	1,394,376	7,842,452
Community services	191,855	-	-	-	-	-	2,046	193,901
Nonprogrammed charges	796,532	-	-	-	-	-	82,213	878,745
Debt services	-	-	1,177,398	-	-	-	-	1,177,398
Interfund loans	-	-	-	30,500	22,500	-	-	53,000
Total disbursements	9,625,370	572,418	1,177,398	375,975	122,498	2,231,841	1,976,931	16,082,431
Excess (deficiency) of receipts over (under) disbursements	958,522	(171,886)	179,108	(53,739)	(42,592)	(6,059)	(557,700)	305,654
Other financing sources (uses):								
Transfers in	11,806	97,776	-	80,000	50,000	-	121,972	361,554
Transfers out	(1,010,963)	(5,234)	(120,190)	(4,269)	(1,041)	-	(64,768)	(1,206,465)
Total other financing sources (uses)	(999,157)	92,542	(120,190)	75,731	48,959	-	57,204	(844,911)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(40,635)	(79,344)	58,918	21,992	6,367	(6,059)	(500,496)	(539,257)
Cash and investments - beginning	2,896,303	239,705	270,610	259	175	6,115	745,764	4,158,931
Cash and investments - ending	<u>\$ 2,855,668</u>	<u>\$ 160,361</u>	<u>\$ 329,528</u>	<u>\$ 22,251</u>	<u>\$ 6,542</u>	<u>\$ 56</u>	<u>\$ 245,268</u>	3,619,674
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								469,515
Net assets of governmental activities								<u>\$ 4,089,189</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,855,668	\$ 160,361	\$ -	\$ 22,251	\$ 6,542	\$ 56	\$ 245,268	\$ 3,290,146
Restricted assets:								
Cash and investments	-	-	329,528	-	-	-	-	329,528
Total cash and investment assets - ending	\$ 2,855,668	\$ 160,361	\$ 329,528	\$ 22,251	\$ 6,542	\$ 56	\$ 245,268	\$ 3,619,674
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 329,528	\$ -	\$ -	\$ -	\$ -	\$ 329,528
Unrestricted	2,855,668	160,361	-	22,251	6,542	56	245,268	3,290,146
Total cash and investment fund balance - ending	\$ 2,855,668	\$ 160,361	\$ 329,528	\$ 22,251	\$ 6,542	\$ 56	\$ 245,268	\$ 3,619,674

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction - Auxiliary Gym	Other	Totals
Receipts:								
Local sources	\$ 1,606,358	\$ 361,303	\$ 909,156	\$ 283,166	\$ 68,716	\$ -	\$ 373,348	\$ 3,602,047
Intermediate sources	17,305	-	-	-	-	-	731	18,036
State sources	8,381,793	-	-	-	-	-	107,633	8,489,426
Federal sources	-	-	-	-	-	-	842,253	842,253
Bonds and loans	-	-	-	-	-	45,274	-	45,274
Sale of property, adjustments and refunds	118,574	-	-	-	-	-	40	118,614
Total receipts	10,124,030	361,303	909,156	283,166	68,716	45,274	1,324,005	13,115,650
Disbursements:								
Current:								
Instruction	5,355,698	-	-	-	-	-	357,980	5,713,678
Support services	3,433,616	592,355	-	348,611	40,000	45,274	939,782	5,399,638
Community services	163,922	-	-	-	-	-	90	164,012
Nonprogrammed charges	800,815	-	-	-	-	-	28,876	829,691
Debt services	-	-	1,331,015	-	-	-	-	1,331,015
Total disbursements	9,754,051	592,355	1,331,015	348,611	40,000	45,274	1,326,728	13,438,034
Excess (deficiency) of receipts over (under) disbursements	369,979	(231,052)	(421,859)	(65,445)	28,716	-	(2,723)	(322,384)
Other financing sources (uses):								
Transfers in	198,973	82,000	123,000	133,000	18,000	-	118,882	673,855
Transfers out	(1,407,694)	(11,021)	(30,222)	(88,787)	(52,206)	-	(84,798)	(1,674,728)
Total other financing sources (uses)	(1,208,721)	70,979	92,778	44,213	(34,206)	-	34,084	(1,000,873)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(838,742)	(160,073)	(329,081)	(21,232)	(5,490)	-	31,361	(1,323,257)
Cash and investments - beginning	2,855,668	160,361	329,528	22,251	6,542	56	245,268	3,619,674
Cash and investments - ending	\$ 2,016,926	\$ 288	\$ 447	\$ 1,019	\$ 1,052	\$ 56	\$ 276,629	2,296,417
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								563,416
Net assets of governmental activities								\$ 2,859,833
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,016,926	\$ 288	\$ -	\$ 1,019	\$ 1,052	\$ 56	\$ 276,629	\$ 2,295,970
Restricted assets:								
Cash and investments	-	-	447	-	-	-	-	447
Total cash and investment assets - ending	\$ 2,016,926	\$ 288	\$ 447	\$ 1,019	\$ 1,052	\$ 56	\$ 276,629	\$ 2,296,417
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 447	\$ -	\$ -	\$ -	\$ -	\$ 447
Unrestricted	2,016,926	288	-	1,019	1,052	56	276,629	2,295,970
Total cash and investment fund balance - ending	\$ 2,016,926	\$ 288	\$ 447	\$ 1,019	\$ 1,052	\$ 56	\$ 276,629	\$ 2,296,417

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ <u>476,918</u>
Operating disbursements:	
Insurance claims and expense	<u>1,260,438</u>
Deficiency of operating receipts under operating disbursements	(783,520)
Transfers in	<u>844,911</u>
Change in net assets	61,391
Cash and investment fund balance - beginning	<u>408,124</u>
Cash and investment fund balance - ending	<u>\$ 469,515</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 469,515</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 469,515</u>

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 374,739
Operating disbursements:	
Insurance claims and expense	<u>1,281,711</u>
Deficiency of operating receipts under operating disbursements	(906,972)
Transfers in	<u>1,000,873</u>
Change in net assets	93,901
Cash and investment fund balance - beginning	<u>469,515</u>
Cash and investment fund balance - ending	<u>\$ 563,416</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 563,416</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 563,416</u>

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ <u>13,172</u>
Investment earnings:	
Interest	<u>3,702</u>
Total additions	<u>16,874</u>
Deductions:	
Administrative and general	<u>19,390</u>
Deficiency of total additions under total deductions	(2,516)
Cash and investment fund balance - beginning	<u>102,545</u>
Cash and investment fund balance - ending	<u>\$ 100,029</u>
Net assets:	
Cash and investments	<u>\$ 100,029</u>
Total net assets - cash and investment basis held in trust	<u>\$ 100,029</u>

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

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

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ <u>5,152</u>
Investment earnings:	
Interest	<u>5,098</u>
Total additions	<u>10,250</u>
Deductions:	
Administrative and general	<u>10,110</u>
Excess of total additions over total deductions	140
Cash and investment fund balance - beginning	<u>100,029</u>
Cash and investment fund balance - ending	<u>\$ 100,169</u>
Net assets:	
Cash and investments	<u>\$ 100,169</u>
Total net assets - cash and investment basis held in trust	<u>\$ 100,169</u>

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Paoli Community School Corporation

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

Joint Ventures

The School Corporation is a participant with Springs Valley Community School Corporation and West Washington School Corporation in a joint venture to operate Lost River Career Cooperative, which was created to establish and maintain an area vocational school. The School Corporation is obligated by contract to remit a percentage of the Cooperatives operating budget annually to supplement the Cooperative. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Lost River Career Cooperative can be obtained from the joint venture's administrative office at 600 Elm Street, Suite 1, Paoli, IN 47454.

The School Corporation is a participant with 5 area schools in a joint venture to operate South Central Area Special Education Cooperative (Co-op), which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit a percentage of the Co-op's operating budget annually to supplement the Co-op. The Co-op's continued existence depends on continued funding by the School Corporation. Complete financial statements for the South Central Area Special Education Cooperative can be obtained from the joint venture's administrative office at 600 Elm Street, Suite 2, Paoli, IN 47454.

The School Corporation is a participant with 23 other schools in a joint venture to operate the Southern Indiana Education Interlocal, which was created to provide services and supplies. The Southern Indiana Education Interlocal's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Southern Indiana Education Interlocal can be obtained from the joint venture's administrative office at 1102 Tree Lane Road, Jasper, IN 47546.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the Paoli Public Library, Town of Paoli Park Board, and the Orange County Community Foundation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

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

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

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

The construction fund is used to account for receipts and disbursements concerning new construction.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for medical insurance provided to other departments on a cost reimbursement basis.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit teachers and students.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to other departments or agencies primarily within the government (internal service funds).

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 8 to 16 days per year. Unused sick leave may be accumulated to a maximum of 324 days. Accumulated sick leave is paid to employees upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at the rate of 10 days per year. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year. Unused personal leave is added to sick leave each year.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Capital Projects Fund	\$ 80,000	\$ 133,000
General Fund	School Bus Replacement Fund	50,000	-
General Fund	Debt Service Fund	-	123,000
General Fund	Transportation Operating Fund	-	82,000
General Fund	School Bus Replacement Fund	-	18,000
General Fund	Other governmental funds	36,052	50,821
General Fund	Internal Service Fund	844,911	1,000,873
Debt Service Fund	Transportation Operating Fund	97,776	-
Debt Service Fund	Other governmental funds	22,414	30,222
Capital Projects Fund	Other governmental funds	4,269	8,787
Capital Projects Fund	General Fund		80,000
Transportation Operating Fund	Other governmental funds	5,234	11,021
School Bus Replacement Fund	Other governmental funds	1,041	2,206
School Bus Replacement Fund	General Fund	-	50,000
Other governmental funds	General Fund	11,806	68,973
Other governmental funds	Other governmental funds	<u>52,962</u>	<u>15,825</u>
Totals		<u>\$ 1,206,465</u>	<u>\$ 1,674,728</u>

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

IV. Other Information

A. Risk Management

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

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$35,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages.

B. Holding Corporation

The School Corporation has entered into a capital lease with Paoli Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments for the years ended June 30, 2006 and 2007, totaled \$1,671,000.

C. Subsequent Events

On March 7, 2007, the Indiana State Board of Education granted Paoli Community School Corporation a construction advancement in the amount of \$10,000,000 from the Common School Fund. The advancement is to be received in draws as construction costs occur. At June 30, 2007, the amount of \$45,274 had been advanced to the School Corporation. The advancement is to be repaid over a period not to exceed 25 years at the rate of 4%.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health, dental, vision and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age of 55 with at least 10 years of service. Currently, 13 retirees meet these eligibility requirements. The School Corporation and retirees provide 72% and 28%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$83,114 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State

PAOLI COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plans

		PERF
Annual required contribution	\$	79,716
Interest on net pension obligation		(2,528)
Adjustment to annual required contribution		2,881
Annual pension cost		80,069
Contributions made		73,255
Increase in net pension obligation		6,814
Net pension obligation, beginning of year		(34,867)
Net pension obligation, end of year	\$	(28,053)

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 64,489	100%	\$ (37,916)
	06-30-05	74,083	96%	(34,867)
	06-30-06	80,069	91%	(28,053)

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

Teachers' Retirement Fund

Plan Description

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2006, and 2007, were \$139,077, \$165,246, and \$171,954, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

PAOLI COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 915,927	\$ 1,054,309	\$ (138,382)	87%	\$ 1,191,830	(12%)
07-01-05	972,209	1,158,137	(185,928)	84%	1,184,464	(16%)
07-01-06	1,049,288	1,373,853	(324,565)	76%	1,146,699	(28%)

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Pre-School	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education Grant	Safe Haven Grant
Receipts:							
Local sources	\$ 7,005	\$ 245,610	\$ 112,067	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	544	-	-
State sources	47,937	6,322	24,945	-	-	4,853	3,327
Federal sources	-	334,808	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	54,942	586,740	137,012	-	544	4,853	3,327
Disbursements:							
Current:							
Instruction	-	-	-	-	386	-	3,032
Support services	-	566,618	148,734	-	-	-	295
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	78,375	-	-	-	-	-	-
Total disbursements	78,375	566,618	148,734	-	386	-	3,327
Excess (deficiency) of receipts over (under) disbursements	(23,433)	20,122	(11,722)	-	158	4,853	-
Other financing sources (uses):							
Transfers in	-	-	-	64,120	-	-	-
Transfers out	(110)	-	-	(11,541)	-	-	-
Total other financing sources (uses)	(110)	-	-	52,579	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(23,543)	20,122	(11,722)	52,579	158	4,853	-
Cash and investments - beginning	43,877	5,490	50,114	11,541	344	-	-
Cash and investments - ending	\$ 20,334	\$ 25,612	\$ 38,392	\$ 64,120	\$ 502	\$ 4,853	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 20,334	\$ 25,612	\$ 38,392	\$ 64,120	\$ 502	\$ 4,853	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 20,334	\$ 25,612	\$ 38,392	\$ 64,120	\$ 502	\$ 4,853	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Early Intervention Grant	Gifted and Talented 05-06	Medicaid Reimbursement	Non-English Speaking Programs	School Technology	Title I 04-05	Title I 05-06
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	24,400	13,302	86	-	-	-	-
Federal sources	-	-	-	-	-	43,857	272,708
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	24,400	13,302	86	-	-	43,857	272,708
Disbursements:							
Current:							
Instruction	21,800	11,436	-	-	12,727	50,352	225,745
Support services	1,135	1,866	-	-	-	16,009	66,178
Community services	1,465	-	-	-	-	-	581
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	24,400	13,302	-	-	12,727	66,361	292,504
Excess (deficiency) of receipts over (under) disbursements	-	-	86	-	(12,727)	(22,504)	(19,796)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	44,184
Transfers out	-	-	(265)	-	-	(44,184)	-
Total other financing sources (uses)	-	-	(265)	-	-	(44,184)	44,184
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	-	(179)	-	(12,727)	(66,688)	24,388
Cash and investments - beginning	-	-	179	449	24,853	66,688	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 449	\$ 12,126	\$ -	\$ 24,388
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 449	\$ 12,126	\$ -	\$ 24,388
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ -	\$ -	\$ 449	\$ 12,126	\$ -	\$ 24,388

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title V 04-05	Title V 05-06	Service Learning 04-05	Special Education Teacher	Title IV Part A 04-05	Title IV Part A 05-06	Medicaid Reimbursement
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 26,066	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	5,722	-	-	-	10,298	135
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	5,722	-	26,066	-	10,298	135
Disbursements:							
Current:							
Instruction	4,513	3,082	5,913	28,389	2,131	3,337	-
Support services	2,389	2,247	-	8,134	29	20	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	3,838
Total disbursements	6,902	5,329	5,913	36,523	2,160	3,357	3,838
Excess (deficiency) of receipts over (under) disbursements	(6,902)	393	(5,913)	(10,457)	(2,160)	6,941	(3,703)
Other financing sources (uses):							
Transfers in	-	8,584	-	-	84	-	-
Transfers out	-	-	-	-	-	(2,425)	-
Total other financing sources (uses)	-	8,584	-	-	84	(2,425)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(6,902)	8,977	(5,913)	(10,457)	(2,076)	4,516	(3,703)
Cash and investments - beginning	6,902	-	5,913	-	2,076	-	3,703
Cash and investments - ending	\$ -	\$ 8,977	\$ -	\$ (10,457)	\$ -	\$ 4,516	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 8,977	\$ -	\$ (10,457)	\$ -	\$ 4,516	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 8,977	\$ -	\$ (10,457)	\$ -	\$ 4,516	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	School to Career 05-06	Reading Corps Grant	Title II Part A 05-06	Title II Part A 04-05	Title II Part D	Construction - Roofing Project	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,840	\$ 393,588
Intermediate sources	-	-	-	-	-	-	544
State sources	-	-	-	-	-	-	125,172
Federal sources	28,000	2,286	102,243	-	99,810	-	899,867
Sale of property, adjustments and refunds	-	-	-	-	-	60	60
Total receipts	28,000	2,286	102,243	-	99,810	2,900	1,419,231
Disbursements:							
Current:							
Instruction	31,445	7,420	52,445	22,332	11,811	-	498,296
Support services	2,438	5,099	15,370	6,837	78,970	472,008	1,394,376
Community services	-	-	-	-	-	-	2,046
Nonprogrammed charges	-	-	-	-	-	-	82,213
Total disbursements	33,883	12,519	67,815	29,169	90,781	472,008	1,976,931
Excess (deficiency) of receipts over (under) disbursements	(5,883)	(10,233)	34,428	(29,169)	9,029	(469,108)	(557,700)
Other financing sources (uses):							
Transfers in	5,000	-	-	-	-	-	121,972
Transfers out	-	-	(6,243)	-	-	-	(64,768)
Total other financing sources (uses)	5,000	-	(6,243)	-	-	-	57,204
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(883)	(10,233)	28,185	(29,169)	9,029	(469,108)	(500,496)
Cash and investments - beginning	6,015	(2,357)	-	29,169	11,621	479,187	745,764
Cash and investments - ending	<u>\$ 5,132</u>	<u>\$ (12,590)</u>	<u>\$ 28,185</u>	<u>\$ -</u>	<u>\$ 20,650</u>	<u>\$ 10,079</u>	<u>\$ 245,268</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 5,132</u>	<u>\$ (12,590)</u>	<u>\$ 28,185</u>	<u>\$ -</u>	<u>\$ 20,650</u>	<u>\$ 10,079</u>	<u>\$ 245,268</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 5,132</u>	<u>\$ (12,590)</u>	<u>\$ 28,185</u>	<u>\$ -</u>	<u>\$ 20,650</u>	<u>\$ 10,079</u>	<u>\$ 245,268</u>

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

	Special Education Pre-School	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education Grant	Safe Haven Grant
Receipts:							
Local sources	\$ 5,039	\$ 235,443	\$ 115,525	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	731	-	-
State sources	51,855	6,203	25,894	-	-	1,379	-
Federal sources	-	331,990	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	56,894	573,636	141,419	-	731	1,379	-
Disbursements:							
Current:							
Instruction	-	-	-	-	1,040	-	2,899
Support services	-	554,448	161,272	-	-	-	295
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	28,876	-	-	-	-	-	-
Total disbursements	28,876	554,448	161,272	-	1,040	-	3,194
Excess (deficiency) of receipts over (under) disbursements	28,018	19,188	(19,853)	-	(309)	1,379	(3,194)
Other financing sources (uses):							
Transfers in	-	-	-	98,050	-	-	-
Transfers out	(166)	-	-	(64,120)	-	(4,853)	-
Total other financing sources (uses)	(166)	-	-	33,930	-	(4,853)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	27,852	19,188	(19,853)	33,930	(309)	(3,474)	(3,194)
Cash and investments - beginning	20,334	25,612	38,392	64,120	502	4,853	-
Cash and investments - ending	\$ 48,186	\$ 44,800	\$ 18,539	\$ 98,050	\$ 193	\$ 1,379	\$ (3,194)
Cash and Investment Assets - Ending							
Cash and investments	\$ 48,186	\$ 44,800	\$ 18,539	\$ 98,050	\$ 193	\$ 1,379	\$ (3,194)
Cash and Investment Fund Balance - Ending							
Unrestricted	48,186	44,800	18,539	98,050	193	1,379	(3,194)

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

	Early Intervention Grant	Gifted Talented 06-07	Non-English Speaking Programs	School Technology	Title I 05-06	Title I 06-07	Title V 06-07
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	9,000	13,302	-	-	-	-	-
Federal sources	-	-	-	-	30,000	254,983	2,741
Sale of property, adjustments and refunds	-	-	-	40	-	-	-
Total receipts	9,000	13,302	-	40	30,000	254,983	2,741
Disbursements:							
Current:							
Instruction	-	11,124	-	7,835	24,665	175,254	-
Support services	9,000	1,842	-	6,360	14,364	57,548	-
Community services	-	-	-	-	-	90	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	9,000	12,966	-	14,195	39,029	232,892	-
Excess (deficiency) of receipts over (under) disbursements	-	336	-	(14,155)	(9,029)	22,091	2,741
Other financing sources (uses):							
Transfers in	-	-	-	2,072	-	15,359	-
Transfers out	-	-	-	-	(15,359)	-	-
Total other financing sources (uses)	-	-	-	2,072	(15,359)	15,359	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	-	336	-	(12,083)	(24,388)	37,450	2,741
Cash and investments - beginning	-	-	449	12,126	24,388	-	-
Cash and investments - ending	\$ -	\$ 336	\$ 449	\$ 43	\$ -	\$ 37,450	\$ 2,741
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 336	\$ 449	\$ 43	\$ -	\$ 37,450	\$ 2,741
Cash and Investment Fund Balance - Ending							
Unrestricted	-	336	449	43	-	37,450	2,741

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

	Title V 05-06	Special Education Teacher	Title IV Part A	Title IV Part A 05-06	Title IV Part A 06-07	Indiana Nutrition 06-07	School to Career 06-07
Receipts:							
Local sources	\$ -	\$ 17,341	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	7,470	500	28,000
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	17,341	-	-	7,470	500	28,000
Disbursements:							
Current:							
Instruction	1,621	5,161	300	4,156	1,540	33	38,567
Support services	5,169	1,723	-	60	61	-	2,950
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	6,790	6,884	300	4,216	1,601	33	41,517
Excess (deficiency) of receipts over (under) disbursements	(6,790)	10,457	(300)	(4,216)	5,869	467	(13,517)
Other financing sources (uses):							
Transfers in	-	-	300	-	-	-	2,500
Transfers out	-	-	-	(300)	-	-	-
Total other financing sources (uses)	-	-	300	(300)	-	-	2,500
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(6,790)	10,457	-	(4,516)	5,869	467	(11,017)
Cash and investments - beginning	8,977	(10,457)	-	4,516	-	-	5,132
Cash and investments - ending	\$ 2,187	\$ -	\$ -	\$ -	\$ 5,869	\$ 467	\$ (5,885)
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,187	\$ -	\$ -	\$ -	\$ 5,869	\$ 467	\$ (5,885)
Cash and Investment Fund Balance - Ending							
Unrestricted	2,187	-	-	-	5,869	467	(5,885)

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

	Reading Corps 05-06	Title II Part A 05-06	Title II Part A 06-07	Title II Part D	Construction - Roofing Project	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,348
Intermediate sources	-	-	-	-	-	731
State sources	-	-	-	-	-	107,633
Federal sources	11,989	-	80,097	94,483	-	842,253
Sale of property, adjustments and refunds	-	-	-	-	-	40
Total receipts	11,989	-	80,097	94,483	-	1,324,005
Disbursements:						
Current:						
Instruction	-	21,492	57,343	4,950	-	357,980
Support services	-	6,693	14,631	93,287	10,079	939,782
Community services	-	-	-	-	-	90
Nonprogrammed charges	-	-	-	-	-	28,876
Total disbursements	-	28,185	71,974	98,237	10,079	1,326,728
Excess (deficiency) of receipts over (under) disbursements	11,989	(28,185)	8,123	(3,754)	(10,079)	(2,723)
Other financing sources (uses):						
Transfers in	601	-	-	-	-	118,882
Transfers out	-	-	-	-	-	(84,798)
Total other financing sources (uses)	601	-	-	-	-	34,084
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	12,590	(28,185)	8,123	(3,754)	(10,079)	31,361
Cash and investments - beginning	(12,590)	28,185	-	20,650	10,079	245,268
Cash and investments - ending	\$ -	\$ -	\$ 8,123	\$ 16,896	\$ -	\$ 276,629
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 8,123	\$ 16,896	\$ -	\$ 276,629
Cash and Investment Fund Balance - Ending						
Unrestricted	-	-	8,123	16,896	-	276,629

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	Cape Grant 01-04	Allen Scholarship	Orange County Community Scholarship	Hoosier Uplands Scholarship	Alene Payton Scholarship	C. B. Stout Scholarship	Ray Gardner Memorial Scholarship	Donation	Totals
Additions:									
Contributions:									
Other	\$ -	\$ -	\$ 297	\$ 1,200	\$ 8,100	\$ 1,750	\$ 250	\$ 1,575	\$ 13,172
Investment earnings:									
Interest	-	3,702	-	-	-	-	-	-	3,702
Total additions	-	3,702	297	1,200	8,100	1,750	250	1,575	16,874
Deductions:									
Administrative and general	5,160	1,510	297	1,200	8,100	1,750	250	1,123	19,390
Excess (deficiency) of total additions over (under) total deductions	(5,160)	2,192	-	-	-	-	-	452	(2,516)
Cash and investment fund balance - beginning	5,160	91,295	-	-	-	-	-	6,090	102,545
Cash and investments - June 30	\$ -	\$ 93,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,542	\$ 100,029
Net assets:									
Cash and investments	\$ -	\$ 93,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,542	\$ 100,029
Total net assets - cash and investment basis held in trust	\$ -	\$ 93,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,542	\$ 100,029

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

	<u>Allen Scholarship</u>	<u>Hoosier Uplands Scholarship</u>	<u>Donation</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ -	\$ 1,300	\$ 3,852	\$ 5,152
Investment earnings:				
Interest	5,098	-	-	5,098
Total additions	<u>5,098</u>	<u>1,300</u>	<u>3,852</u>	<u>10,250</u>
Deductions:				
Administrative and general	7,503	1,300	1,307	10,110
Excess (deficiency) of total additions over (under) total deductions	(2,405)	-	2,545	140
Cash and investment fund balance - beginning	93,487	-	6,542	100,029
Cash and investments - June 30	<u>\$ 91,082</u>	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 100,169</u>
Net assets:				
Cash and investments	\$ 91,082	\$ -	\$ 9,087	\$ 100,169
Total net assets - cash and investment basis held in trust	<u>\$ 91,082</u>	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 100,169</u>

PAOLI COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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:	
Capital assets, not being depreciated:	
Land	\$ 84,228
Buildings	36,026,272
Improvements other than buildings	1,491,973
Machinery and equipment	<u>4,927,396</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 42,529,869</u></u>

PAOLI COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Buildings and Facilities	\$ 3,855,000	\$ 732,000
Football Field Lighting	15,769	16,175
Wiring of Baseball and Football Fields	3,461	3,550
Notes and loans payable	3,276,807	321,761
Bonds payable:		
General obligation bonds of 2004	<u>490,000</u>	<u>72,950</u>
Total governmental activities debt	<u>\$ 7,641,037</u>	<u>\$ 1,146,436</u>

PAOLI COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

COLLECTION OF AMOUNTS DUE (Applies to Centralized School Lunch)

The School Corporation has a policy of allowing elementary students to charge meals. The amount of \$6,364.48 was due from students for meals charged as of June 30, 2007.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE PAOLI COMMUNITY SCHOOL
CORPORATION, ORANGE COUNTY, INDIANA

Compliance

We have audited the compliance of the Paoli Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2006 and 2007. The School Corporation's major federal program is 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 its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable its major federal program for the years ended June 30, 2006 and 2007.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

STATE BOARD OF ACCOUNTS

January 14, 2008

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 83,538	\$ 90,036
National School Lunch Program	10.555		<u>238,760</u>	<u>266,886</u>
Total for federal grantor agency			<u>322,298</u>	<u>356,922</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
FY 2004-05		05-6155	66,362	-
FY 2005-06		06-6155	292,504	39,030
FY 2006-07		07-6155	<u>-</u>	<u>232,893</u>
Total for program			<u>358,866</u>	<u>271,923</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 2004-05		04-005	2,161	-
FY 2005-06		05-226	3,357	4,516
FY 2006-07		06-6155	<u>-</u>	<u>1,601</u>
Total for program			<u>5,518</u>	<u>6,117</u>
State Grants for Innovative Programs	84.298			
FY 2005-06		05-022	6,902	-
FY 2006-07		06-6155	<u>5,329</u>	<u>6,790</u>
Total for program			<u>12,231</u>	<u>6,790</u>
Education Technology State Grants	84.318			
FY 2003-04			1,427	-
FY 2004-05			10,192	-
FY 2005-06			79,163	32,053
FY 2006-07			<u>-</u>	<u>66,184</u>
Total for program			<u>90,782</u>	<u>98,237</u>
Improving Teacher Quality State Grants	84.367			
FY 2004-05		04-046	29,169	-
FY 2005-06		05-025	67,815	28,185
FY 2006-07		06-6155	<u>-</u>	<u>71,974</u>
Total for program			<u>96,984</u>	<u>100,159</u>
Total for federal grantor agency			<u>564,381</u>	<u>483,226</u>
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
FY 2004-05			<u>5,913</u>	<u>-</u>
Total federal awards expended			<u>\$ 892,592</u>	<u>\$ 840,148</u>

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

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

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 4,527	\$ 6,804
National School Lunch Program	10.555	13,264	19,686

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? no

Federal Awards:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

PAOLI COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

PAOLI COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2008, with G. Brooke Hill, Treasurer; Dr. Alva L. Sibbitt, Jr., Superintendent of Schools; and James W. McDonald, President of the School Board. The officials concurred with our audit finding.