

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PAOLI COMMUNITY SCHOOL CORPORATION
ORANGE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
03/02/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	G. Brooke Hill Julie M. Osborn	07-01-09 to 01-09-12 01-10-12 to 06-30-12
Superintendent of Schools	Dr. Alva L. Sibbitt, Jr. Dr. Victor M. Combs	07-01-09 to 12-31-10 01-01-11 to 06-30-15
President of the Board of School Trustees	James W. McDonald	07-01-09 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
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 statement of the Paoli Community School Corporation (School Corporation), for the years ended June 30, 2010 and 2011. 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 basis of accounting noted above is a different basis than that used in the prior year.

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 years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 31, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, 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 Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

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

January 31, 2012



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

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

We have audited the financial statement of the Paoli Community School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

January 31, 2012

FINANCIAL STATEMENT

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

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PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09		Other Financing Sources (Uses)		Cash and Investments 06-30-10		Other Financing Sources (Uses)		Cash and Investments 06-30-11	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 861,003	\$ 11,376,826	\$ 10,400,842	\$ (291,338)	\$ 1,545,649	\$ 11,246,088	\$ 11,320,403	\$ (40,216)	\$ 1,431,118	
Debt Service	87,178	1,671,942	1,407,371	(17,843)	333,906	1,513,660	1,419,865	-	427,701	
Capital Projects	1,060	662,847	767,350	103,986	543	447,413	447,677	5,025	5,304	
School Transportation	1,891	819,982	664,375	55,277	212,775	662,995	659,725	-	216,045	
School Bus Replacement	41,198	170,682	225,629	14,555	806	70,021	81,335	23,000	12,492	
Special Education Preschool	35,699	17,875	68,466	14,892	-	-	-	-	-	
Rainy Day	500,000	-	227,942	109,509	381,567	-	27,686	50,000	403,881	
School Lunch	36,281	716,176	672,897	-	79,560	720,677	690,945	-	109,292	
Textbook Rental	22,714	206,097	200,401	-	28,410	203,120	203,192	-	28,338	
Self-Insurance	675,376	1,561,421	1,537,640	-	699,157	1,596,937	1,806,090	-	490,004	
Levy Excess	-	-	-	-	-	11,646	-	-	11,646	
Child Care Program	-	-	-	-	-	11,305	15,912	-	(4,607)	
Educational License Plates	581	319	693	-	207	375	338	-	244	
Alternative Education	1,811	-	-	-	1,811	-	-	-	1,811	
SAFE School Haven	-	1,500	2,973	1,473	-	1,500	1,500	-	-	
Early Intervention Grant	(3,046)	34,299	34,594	3,341	-	22,271	22,271	-	-	
Indiana Board of Health	-	500	500	-	-	-	-	-	-	
Scholarships and Awards	123,660	-	160,300	125,300	88,660	-	81,300	50,300	57,660	
Scholarship Fund	-	-	4,500	8,611	4,111	-	4,500	11,490	11,101	
Crowe Educators Awards	-	-	500	500	-	-	500	500	-	
Riverboat and Donations	251,370	2,958	5,359	(248,188)	781	2,989	1,085	-	2,685	
French Lick Riverboat Casino	-	471,191	696,387	248,188	22,992	463,494	336,447	(50,000)	100,039	
Instruction Support	4,224	54,259	48,513	(288)	9,682	31,520	37,228	-	3,974	
Non-English Speaking Programs P.L. 273-1999	449	-	-	-	449	-	-	-	449	
School Technology	(9,901)	-	-	-	(9,901)	4,111	3,988	-	(9,778)	
Construction, Remodeling, and Equipping Buildings	597,986	1	589,902	(8,085)	-	-	-	-	-	
Miscellaneous Programs	-	-	-	-	-	-	2,808	-	(2,808)	
Title I	40,072	444,628	420,514	21,599	85,785	278,709	405,820	-	(41,326)	
Title V 2008-2009	1,060	-	1,060	-	-	-	-	-	-	
Drug Free Schools	8,497	8,200	7,967	(1,473)	7,257	-	789	-	6,468	
Other Federal Programs	467	-	-	(467)	-	-	-	-	-	
Improving Teaching Quality, No Child Left, Title II, Part A	(15,354)	19,999	124,386	-	(119,741)	110,395	127,635	28,020	(108,961)	
ITQ, Enhanced Education Through Technology, Title II, Part D	(136)	-	-	(252)	(388)	-	-	388	-	
Rural Schools and Low Income Program - Pass Through State	-	41,501	-	(25,000)	16,501	-	32,978	(16,217)	(32,694)	
Fiscal Stabilization - Education	916,102	326,870	1,242,972	-	-	-	-	-	-	
Title I - Grants to LEA's - Stimulus 2010-11	-	-	-	-	-	-	117,057	21,077	(95,980)	
Title I - Grants to LEA's - Stimulus	-	112,143	96,838	-	15,305	21,027	15,255	(21,077)	-	
Special Education - Part B	-	2,840	22,954	20,114	-	-	-	-	-	
School Lunch Equipment	-	5,925	5,925	-	-	-	-	-	-	
Totals	\$ 4,180,242	\$ 18,730,981	\$ 19,639,750	\$ 134,411	\$ 3,405,884	\$ 17,420,253	\$ 17,864,329	\$ 62,290	\$ 3,024,098	

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation (primary government).

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.

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.

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Federal sources which include distributions from the federal government 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.

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

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.

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other financing sources and uses

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

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:

PAOLI COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from 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 is 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 prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 861,003	\$ 87,178	\$ 1,060	\$ 1,891	\$ 41,198	\$ 35,699	\$ 500,000	\$ 36,281	\$ 22,714
Receipts:									
Local sources	231,370	1,671,942	638,847	819,982	153,682	-	-	270,843	141,807
Intermediate sources	15,387	-	-	-	-	-	-	-	-
State sources	10,793,747	-	-	-	-	17,875	-	19,170	64,290
Federal sources	1,395	-	-	-	-	-	-	426,163	-
Interfund loans	329,000	-	24,000	-	17,000	-	-	-	-
Other	5,927	-	-	-	-	-	-	-	-
Total receipts	<u>11,376,826</u>	<u>1,671,942</u>	<u>662,847</u>	<u>819,982</u>	<u>170,682</u>	<u>17,875</u>	<u>-</u>	<u>716,176</u>	<u>206,097</u>
Disbursements:									
Current:									
Instruction	6,441,029	-	-	-	-	-	-	-	-
Support services	2,572,807	-	507,350	595,375	225,629	-	-	-	200,401
Noninstructional services	182,681	-	-	-	-	-	-	672,897	-
Facilities acquisition and construction	50,259	-	-	-	-	-	118,433	-	-
Debt services	-	1,407,371	-	-	-	-	109,509	-	-
Nonprogrammed charges	1,113,066	-	-	-	-	68,466	-	-	-
Interfund loans	41,000	-	260,000	69,000	-	-	-	-	-
Total disbursements	<u>10,400,842</u>	<u>1,407,371</u>	<u>767,350</u>	<u>664,375</u>	<u>225,629</u>	<u>68,466</u>	<u>227,942</u>	<u>672,897</u>	<u>200,401</u>
Excess (deficiency) of receipts over disbursements	<u>975,984</u>	<u>264,571</u>	<u>(104,503)</u>	<u>155,607</u>	<u>(54,947)</u>	<u>(50,591)</u>	<u>(227,942)</u>	<u>43,279</u>	<u>5,696</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	12,493	91,666	103,986	55,277	14,555	14,892	109,509	-	-
Transfers out	(303,831)	(109,509)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(291,338)</u>	<u>(17,843)</u>	<u>103,986</u>	<u>55,277</u>	<u>14,555</u>	<u>14,892</u>	<u>109,509</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>684,646</u>	<u>246,728</u>	<u>(517)</u>	<u>210,884</u>	<u>(40,392)</u>	<u>(35,699)</u>	<u>(118,433)</u>	<u>43,279</u>	<u>5,696</u>
Cash and investments - ending	<u>\$ 1,545,649</u>	<u>\$ 333,906</u>	<u>\$ 543</u>	<u>\$ 212,775</u>	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ 381,567</u>	<u>\$ 79,560</u>	<u>\$ 28,410</u>

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Self- Insurance	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	Indiana Board of Health	Scholarships and Awards	Scholarship Fund	Crowe Educators Awards
Cash and investments - beginning	\$ 675,376	\$ 581	\$ 1,811	\$ -	\$ (3,046)	\$ -	\$ 123,660	\$ -	\$ -
Receipts:									
Local sources	1,561,421	-	-	-	-	-	-	-	-
Intermediate sources	-	319	-	-	-	-	-	-	-
State sources	-	-	-	1,500	34,299	500	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,561,421	319	-	1,500	34,299	500	-	-	-
Disbursements:									
Current:									
Instruction	576,136	693	-	2,973	34,594	500	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	961,504	-	-	-	-	-	160,300	4,500	500
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,537,640	693	-	2,973	34,594	500	160,300	4,500	500
Excess (deficiency) of receipts over disbursements	23,781	(374)	-	(1,473)	(295)	-	(160,300)	(4,500)	(500)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	125,300	8,611	500
Transfers in	-	-	-	1,473	3,341	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,473	3,341	-	125,300	8,611	500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,781	(374)	-	-	3,046	-	(35,000)	4,111	-
Cash and investments - ending	\$ 699,157	\$ 207	\$ 1,811	\$ -	\$ -	\$ -	\$ 88,660	\$ 4,111	\$ -

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Riverboat and Donations	French Lick Riverboat Casino	Instruction Support	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction Remodeling and Equipping Buildings	Title I	Title V 2008-2009	Drug Free Schools
Cash and investments - beginning	\$ 251,370	\$ -	\$ 4,224	\$ 449	\$ (9,901)	\$ 597,986	\$ 40,072	\$ 1,060	\$ 8,497
Receipts:									
Local sources	2,958	12,103	-	-	-	1	-	-	-
Intermediate sources	-	383,659	-	-	-	-	-	-	-
State sources	-	75,429	54,259	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	444,628	-	8,200
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	2,958	471,191	54,259	-	-	1	444,628	-	8,200
Disbursements:									
Current:									
Instruction	2,288	123,679	48,513	-	-	-	418,898	-	7,967
Support services	-	96,429	-	-	-	-	-	1,060	-
Noninstructional services	3,071	-	-	-	-	-	1,616	-	-
Facilities acquisition and construction	-	367,863	-	-	-	589,902	-	-	-
Debt services	-	108,416	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	5,359	696,387	48,513	-	-	589,902	420,514	1,060	7,967
Excess (deficiency) of receipts over disbursements	(2,401)	(225,196)	5,746	-	-	(589,901)	24,114	(1,060)	233
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	248,188	-	-	-	-	68,425	-	-
Transfers out	(248,188)	-	(288)	-	-	(8,085)	(46,826)	-	(1,473)
Total other financing sources (uses)	(248,188)	248,188	(288)	-	-	(8,085)	21,599	-	(1,473)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(250,589)	22,992	5,458	-	-	(597,986)	45,713	(1,060)	(1,240)
Cash and investments - ending	\$ 781	\$ 22,992	\$ 9,682	\$ 449	\$ (9,901)	\$ -	\$ 85,785	\$ -	\$ 7,257

PAOLI COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Other Federal Programs	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D	Rural Schools and Low Income Program Pass Through State	Fiscal Stabilization Education	Title I Grants to LEA's Stimulus	Special Education Part B	School Lunch Equipment	Totals
Cash and investments - beginning	\$ 467	\$ (15,354)	\$ (136)	\$ -	\$ 916,102	\$ -	\$ -	\$ -	\$ 4,180,242
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,504,956
Intermediate sources	-	-	-	-	-	-	-	-	399,365
State sources	-	-	-	-	-	-	-	-	11,061,069
Federal sources	-	19,999	-	41,501	326,870	112,143	2,840	5,925	1,389,664
Interfund loans	-	-	-	-	-	-	-	-	370,000
Other	-	-	-	-	-	-	-	-	5,927
Total receipts	-	19,999	-	41,501	326,870	112,143	2,840	5,925	18,730,981
Disbursements:									
Current:									
Instruction	-	124,386	-	-	1,032,620	95,814	-	5,925	8,916,015
Support services	-	-	-	-	181,587	-	22,954	-	4,403,592
Noninstructional services	-	-	-	-	28,765	1,024	-	-	890,054
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,126,457
Debt services	-	-	-	-	-	-	-	-	1,625,296
Nonprogrammed charges	-	-	-	-	-	-	-	-	2,308,336
Interfund loans	-	-	-	-	-	-	-	-	370,000
Total disbursements	-	124,386	-	-	1,242,972	96,838	22,954	5,925	19,639,750
Excess (deficiency) of receipts over disbursements	-	(104,387)	-	41,501	(916,102)	15,305	(20,114)	-	(908,769)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	134,411
Transfers in	-	-	-	-	-	-	20,114	-	743,919
Transfers out	(467)	-	(252)	(25,000)	-	-	-	-	(743,919)
Total other financing sources (uses)	(467)	-	(252)	(25,000)	-	-	20,114	-	134,411
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(467)	(104,387)	(252)	16,501	(916,102)	15,305	-	-	(774,358)
Cash and investments - ending	\$ -	\$ (119,741)	\$ (388)	\$ 16,501	\$ -	\$ 15,305	\$ -	\$ -	\$ 3,405,884

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

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 1,545,649	\$ 333,906	\$ 543	\$ 212,775	\$ 806	\$ -	\$ 381,567	\$ 79,560	\$ 28,410
Receipts:									
Local sources	245,579	1,513,660	447,413	662,995	70,021	-	-	262,244	99,642
Intermediate sources	45	-	-	-	-	-	-	-	-
State sources	10,994,831	-	-	-	-	-	-	22,379	103,478
Federal sources	1,105	-	-	-	-	-	-	436,054	-
Other	4,528	-	-	-	-	-	-	-	-
Total receipts	<u>11,246,088</u>	<u>1,513,660</u>	<u>447,413</u>	<u>662,995</u>	<u>70,021</u>	<u>-</u>	<u>-</u>	<u>720,677</u>	<u>203,120</u>
Disbursements:									
Current:									
Instruction	7,246,120	-	-	-	-	-	-	-	-
Support services	2,812,729	-	447,677	659,725	81,335	-	-	-	203,192
Noninstructional services	207,099	-	-	-	-	-	-	690,945	-
Facilities acquisition and construction	15,754	-	-	-	-	-	-	-	-
Debt services	-	1,419,865	-	-	-	-	27,686	-	-
Nonprogrammed charges	1,038,701	-	-	-	-	-	-	-	-
Total disbursements	<u>11,320,403</u>	<u>1,419,865</u>	<u>447,677</u>	<u>659,725</u>	<u>81,335</u>	<u>-</u>	<u>27,686</u>	<u>690,945</u>	<u>203,192</u>
Excess (deficiency) of receipts over disbursements	<u>(74,315)</u>	<u>93,795</u>	<u>(264)</u>	<u>3,270</u>	<u>(11,314)</u>	<u>-</u>	<u>(27,686)</u>	<u>29,732</u>	<u>(72)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	81,217	-	53,025	-	40,000	-	50,000	256,849	-
Transfers out	(121,433)	-	(48,000)	-	(17,000)	-	-	(256,849)	-
Total other financing sources (uses)	<u>(40,216)</u>	<u>-</u>	<u>5,025</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(114,531)</u>	<u>93,795</u>	<u>4,761</u>	<u>3,270</u>	<u>11,686</u>	<u>-</u>	<u>22,314</u>	<u>29,732</u>	<u>(72)</u>
Cash and investments - ending	<u>\$ 1,431,118</u>	<u>\$ 427,701</u>	<u>\$ 5,304</u>	<u>\$ 216,045</u>	<u>\$ 12,492</u>	<u>\$ -</u>	<u>\$ 403,881</u>	<u>\$ 109,292</u>	<u>\$ 28,338</u>

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

	Self- Insurance	Levy Excess	Child Care Program	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	Indiana Board of Health	Scholarships and Awards
Cash and investments - beginning	\$ 699,157	\$ -	\$ -	\$ 207	\$ 1,811	\$ -	\$ -	\$ -	\$ 88,660
Receipts:									
Local sources	1,596,937	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	375	-	-	-	-	-
State sources	-	-	-	-	-	1,500	22,271	-	-
Federal sources	-	11,646	11,305	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,596,937</u>	<u>11,646</u>	<u>11,305</u>	<u>375</u>	<u>-</u>	<u>1,500</u>	<u>22,271</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	338	-	1,500	22,271	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	15,912	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,806,090	-	-	-	-	-	-	-	81,300
Total disbursements	<u>1,806,090</u>	<u>-</u>	<u>15,912</u>	<u>338</u>	<u>-</u>	<u>1,500</u>	<u>22,271</u>	<u>-</u>	<u>81,300</u>
Excess (deficiency) of receipts over disbursements	<u>(209,153)</u>	<u>11,646</u>	<u>(4,607)</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,300)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	50,300
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>50,300</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(209,153)</u>	<u>11,646</u>	<u>(4,607)</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,000)</u>
Cash and investments - ending	<u>\$ 490,004</u>	<u>\$ 11,646</u>	<u>\$ (4,607)</u>	<u>\$ 244</u>	<u>\$ 1,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,660</u>

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

	Scholarship Fund	Crowe Educators Awards	Riverboat and Donations	French Lick Riverboat Casino	Instruction Support	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction Remodeling and Equipping Buildings	Miscellaneous Programs
Cash and investments - beginning	\$ 4,111	\$ -	\$ 781	\$ 22,992	\$ 9,682	\$ 449	\$ (9,901)	\$ -	\$ -
Receipts:									
Local sources	-	-	2,989	1	-	-	-	-	-
Intermediate sources	-	-	-	384,937	-	-	-	-	-
State sources	-	-	-	78,556	31,520	-	4,111	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	2,989	463,494	31,520	-	4,111	-	-
Disbursements:									
Current:									
Instruction	-	-	-	-	37,228	-	3,988	-	2,808
Support services	-	-	-	92,400	-	-	-	-	-
Noninstructional services	-	-	1,085	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	25,000	-	-	-	-	-
Debt services	-	-	-	219,047	-	-	-	-	-
Nonprogrammed charges	4,500	500	-	-	-	-	-	-	-
Total disbursements	4,500	500	1,085	336,447	37,228	-	3,988	-	2,808
Excess (deficiency) of receipts over disbursements	(4,500)	(500)	1,904	127,047	(5,708)	-	123	-	(2,808)
Other financing sources (uses):									
Sale of capital assets	11,490	500	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(50,000)	-	-	-	-	-
Total other financing sources (uses)	11,490	500	-	(50,000)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,990	-	1,904	77,047	(5,708)	-	123	-	(2,808)
Cash and investments - ending	\$ 11,101	\$ -	\$ 2,685	\$ 100,039	\$ 3,974	\$ 449	\$ (9,778)	\$ -	\$ (2,808)

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

	Title I	Drug Free Schools	Improving Teaching Quality No Child Left Title II, Part A	ITQ Enhanced Education Through Technology Title II, Part D	Rural Schools and Low Income Program Pass Through State	Title I Grants to LEA's Stimulus 2010-11	Title I Grants to LEA's Stimulus	Totals
Cash and investments - beginning	\$ 85,785	\$ 7,257	\$ (119,741)	\$ (388)	\$ 16,501	\$ -	\$ 15,305	\$ 3,405,884
Receipts:								
Local sources	-	-	-	-	-	-	-	4,901,481
Intermediate sources	-	-	-	-	-	-	-	385,357
State sources	-	-	-	-	-	-	-	11,258,646
Federal sources	278,709	-	110,395	-	-	-	21,027	870,241
Other	-	-	-	-	-	-	-	4,528
Total receipts	<u>278,709</u>	<u>-</u>	<u>110,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,027</u>	<u>17,420,253</u>
Disbursements:								
Current:								
Instruction	405,820	789	127,635	-	32,978	117,057	15,255	8,013,787
Support services	-	-	-	-	-	-	-	4,297,058
Noninstructional services	-	-	-	-	-	-	-	915,041
Facilities acquisition and construction	-	-	-	-	-	-	-	40,754
Debt services	-	-	-	-	-	-	-	1,666,598
Nonprogrammed charges	-	-	-	-	-	-	-	2,931,091
Total disbursements	<u>405,820</u>	<u>789</u>	<u>127,635</u>	<u>-</u>	<u>32,978</u>	<u>117,057</u>	<u>15,255</u>	<u>17,864,329</u>
Excess (deficiency) of receipts over disbursements	<u>(127,111)</u>	<u>(789)</u>	<u>(17,240)</u>	<u>-</u>	<u>(32,978)</u>	<u>(117,057)</u>	<u>5,772</u>	<u>(444,076)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	62,290
Transfers in	66,251	-	28,020	388	-	21,077	-	596,827
Transfers out	<u>(66,251)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,217)</u>	<u>-</u>	<u>(21,077)</u>	<u>(596,827)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>28,020</u>	<u>388</u>	<u>(16,217)</u>	<u>21,077</u>	<u>(21,077)</u>	<u>62,290</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(127,111)</u>	<u>(789)</u>	<u>10,780</u>	<u>388</u>	<u>(49,195)</u>	<u>(95,980)</u>	<u>(15,305)</u>	<u>(381,786)</u>
Cash and investments - ending	<u>\$ (41,326)</u>	<u>\$ 6,468</u>	<u>\$ (108,961)</u>	<u>\$ -</u>	<u>\$ (32,694)</u>	<u>\$ (95,980)</u>	<u>\$ -</u>	<u>\$ 3,024,098</u>

PAOLI COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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>
Other:	
Capital assets, not being depreciated:	
Land	\$ 120,972
Buildings	47,292,186
Improvements other than buildings	1,874,986
Machinery and equipment	<u>5,752,781</u>
Total capital assets not being depreciated	<u>\$ 55,040,925</u>

PAOLI COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Capital leases:			
School buildings and facilities	\$ 4,570,173	\$ 502,755	French Lick Riverboat Casino, Rainy Day, Debt Service
Notes and loans payable	12,143,926	1,043,151	*
Bonds payable:			
General obligation bonds of 2004	<u>260,000</u>	<u>69,300</u>	Debt Service
Total debt	<u>\$ 16,974,099</u>	<u>\$ 1,615,206</u>	

*These are common school loans. Amounts are withheld from monthly distributions made to the School Corporation from their basic grant. Transfers are made from the debt service fund to the general fund every six months.

PAOLI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK RECONCILIATIONS

A comparison of the records to the bank accounts revealed a variance of \$90,000. The variance was traced to a \$90,000 investment that was sold in June 2009. In December 2009, the Treasurer made a posting error related to this transaction which erroneously increased the balance of the General Fund by \$90,000. Bank reconciliations performed by the Corporation did not detect this error. An adjustment to decrease the balance of the General Fund by \$90,000 was proposed during the audit and it was agreed upon by the School Corporation officials.

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)

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)

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Numerous instances were noted at the end of the calendar year in which disbursements were transferred to a different appropriation category because of insufficient appropriations in the category in which it was posted. This caused expenditures to be misstated in the two appropriation accounts affected. The proper method of handling such situations would be to transfer appropriations within the fund with board approval.

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)

PAOLI COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

APPROPRIATIONS

Records presented for audit indicated that expenditures were in excess of budgeted appropriations by the amount of \$19,025 in the Capital Projects Fund for the calendar year 2010.

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

OVERDRAWN FUND BALANCES

The following funds had overdrawn fund balances at June 30, 2010 and 2011.

Fund	2010	2011
Child Care Program	\$ -	\$ 4,607
School Technology	9,901	9,778
Miscellaneous Programs	-	2,808
Improving Teaching Quality, No Child Left, Title II, Part A	119,741	108,961

The above schedule does not include funds that have overdrawn fund balances because they receive regular federal grant reimbursements.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011.

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 in order 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
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

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

January 31, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 127,295	\$ 124,464
National School Lunch Program	10.555		<u>348,141</u>	<u>358,031</u>
Total for cluster			<u>475,436</u>	<u>482,495</u>
ARRA-Child Nutrition Discretionary Grants Limited Availability FY 2009-10	10.579		<u>5,925</u>	-
Total for federal grantor agency			<u>481,361</u>	<u>482,495</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
FY 2008-09		09-6155	36,647	-
FY 2009-10		10-6155	362,267	59,527
FY 2010-11		11-6155	<u>-</u>	<u>346,292</u>
Total for program			<u>398,914</u>	<u>405,819</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
FY 2009-10		10-6155	96,838	-
FY 2010-11		11-6155	<u>-</u>	<u>132,312</u>
Total for program			<u>96,838</u>	<u>132,312</u>
Total for cluster			<u>495,752</u>	<u>538,131</u>
Pass-Through South Central Area Special Education Cooperative				
Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States, Recovery Act	84.391		<u>20,114</u>	<u>86,657</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	6155	<u>1,242,970</u>	-
Safe and Drug-Free Schools and Communities - State Grants	84.186			
FY 2007-08		07-6155	2,817	-
FY 2008-09		08-6155	5,680	-
FY 2009-10		09-6155	<u>943</u>	<u>789</u>
Total for program			<u>9,440</u>	<u>789</u>
State Grants for Innovative Programs	84.298			
FY 2008-09		08-6155	<u>1,060</u>	-
Rural Education	84.358			
FY 2009-10		09-6155	25,000	16,501
FY 2010-11		10-6155	<u>-</u>	<u>32,694</u>
Total for program			<u>25,000</u>	<u>49,195</u>
Improving Teacher Quality State Grants	84.367			
FY 2008-09		08-6155	18,337	-
FY 2009-10		09-6155	106,049	18,674
FY 2010-11		10-6155	<u>-</u>	<u>108,961</u>
Total for program			<u>124,386</u>	<u>127,635</u>
Total for federal grantor agency			<u>1,918,722</u>	<u>802,407</u>
Total federal awards expended			<u>\$ 2,400,083</u>	<u>\$ 1,284,902</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

Note 1. 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 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, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 12,342	\$ 10,515
National School Lunch Program	10.555	33,414	28,383

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
State Fiscal Stabilization Fund 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 31, 2012, with Dr. Victor M. Combs, Superintendent of Schools; Julie M. Osborn, Treasurer; and James W. McDonald, President of the Board of School Trustees. The officials concurred with our audit findings.