

**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, 2011 to June 30, 2013



**FILED**  
03/25/2014



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	6-7
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	11
Notes to Financial Statement .....	12-17
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	20-27
Schedule of Payables and Receivables .....	28
Schedule of Leases and Debt .....	29
Schedule of Capital Assets .....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	34-35
Schedule of Expenditures of Federal Awards .....	39
Notes to Schedule of Expenditures of Federal Awards .....	40
Schedule of Findings and Questioned Costs .....	41-42
Auditee Prepared Schedule:	
Corrective Action Plan .....	43
Exit Conference .....	44

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	G. Brooke Hill Julie M. Osborn	07-01-11 to 01-09-12 01-10-12 to 06-30-14
Superintendent of Schools	Dr. Victor M. Combs Casey Brewster	07-01-11 to 06-30-13 07-01-13 to 06-30-14
President of the School Board	James W. McDonald, Jr.	07-01-11 to 12-31-14



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

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

INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

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

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Paoli Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 20, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

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

***Compliance and Other Matters***

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

***Paoli Community School Corporation's Response to Findings***

The School Corporation's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014

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## FINANCIAL STATEMENT

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

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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, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 1,431,118	\$ 11,103,893	\$ 10,862,609	\$ 5,736	\$ 1,678,138	\$ 11,283,080	\$ 11,441,096	\$ (21,268)	\$ 1,498,854
Debt Service	427,701	1,789,955	1,747,455	(55,372)	414,829	1,379,076	1,370,681	-	423,224
Capital Projects	5,304	656,038	553,502	(36,930)	70,910	711,206	768,730	-	13,386
School Transportation	216,045	847,928	863,219	11,646	212,400	692,574	697,621	-	207,353
School Bus Replacement	12,492	104,547	92,710	(20,000)	4,329	107,289	45,756	(20,000)	45,862
Rainy Day	403,881	-	55,372	55,372	403,881	-	-	96,119	500,000
School Lunch	109,292	719,475	695,226	-	133,541	721,283	719,982	-	134,842
Textbook Rental	28,338	291,552	337,564	20,000	2,326	228,577	106,106	(20,000)	104,797
Self-Insurance	490,004	1,809,096	2,017,814	-	281,286	1,869,659	1,801,206	-	349,739
Levy Excess	11,646	-	-	(11,646)	-	-	-	-	-
Child Care Program	(4,607)	9,943	13,834	2,568	(5,930)	2,511	6,147	9,566	-
Educational License Plates	244	244	-	-	488	263	-	-	751
Alternative Education	1,811	-	-	(1,811)	-	-	-	-	-
SAFE School Haven	-	-	-	-	-	9,293	6,009	-	3,284
Safe Haven Grant 2012-13	-	-	-	-	-	(6,009)	-	6,009	-
Early Intervention Grant	-	5,800	2,923	-	2,877	-	2,877	-	-
Scholarships and Awards	57,660	82,588	39,300	-	100,948	38,366	66,300	-	73,014
Scholarship Fund	11,101	200	11,301	-	-	-	-	-	-
Crowe Educator Award	-	500	500	-	-	500	500	-	-
Donations	2,685	1,325	963	-	3,047	2,603	1,447	-	4,203
Riverboat Casino	100,039	411,265	246,600	-	264,704	397,537	364,242	(96,119)	201,880
Gifted and Talented	3,974	30,446	28,580	-	5,840	30,366	35,890	-	316
Education Technology	-	103,000	109,720	-	(6,720)	75,242	97,259	56	(28,681)
Non-English Speaking Programs P.L. 273-1999	449	-	-	-	449	-	-	-	449
School Technology	(9,778)	4,110	4,350	10,018	-	3,621	4,972	-	(1,351)
School Safety Grant	(2,808)	20,000	17,192	-	-	-	-	-	-
Excess PTRC Distributions	-	14,570	5,797	-	8,773	20	8,773	-	20
Title I	(41,326)	421,269	393,103	-	(13,160)	366,425	378,049	-	(24,784)
Drug Free Schools	6,468	-	1,900	(4,568)	-	-	-	-	-
Medicaid Reimbursement Federal	-	-	-	-	-	(158)	3,843	18,079	14,078
Improving Teaching Quality, No Child Left, Title II, Part A	(108,961)	107,846	129,741	20,817	(110,039)	92,771	11,364	27,558	(1,074)
Rural Schools and Low Income Program - Pass Through State	(32,694)	58,126	25,444	-	(12)	28,100	28,661	-	(573)
Title 1 Stimulus Grant 2010/2011	(95,980)	119,148	23,474	306	-	-	-	-	-
Title 1 Stimulus Grant 2009/2010	-	-	2,866	2,866	-	-	-	-	-
Special Education Part B	-	-	998	998	-	-	-	-	-
Education Jobs	-	353,440	353,440	-	-	7,217	7,217	-	-
Payroll	-	2,352,421	2,352,421	-	-	2,392,707	2,392,707	-	-
<b>Totals</b>	<b>\$ 3,024,098</b>	<b>\$ 21,418,725</b>	<b>\$ 20,989,918</b>	<b>\$ -</b>	<b>\$ 3,452,905</b>	<b>\$ 20,434,119</b>	<b>\$ 20,367,435</b>	<b>\$ -</b>	<b>\$ 3,519,589</b>

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.

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

PAOLI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

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

PAOLI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

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

PAOLI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

PAOLI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Negative Receipts**

The financial statement contains some receipts which appear as negative entries. This is a result of errors made in the prior period which were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative receipt was shown in the current period.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up as reimbursable grants or state reimbursements. The reimbursements for expenditures made by the School Corporation were not received by June 30.

PAOLI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. *Holding Corporation***

The School Corporation has entered into capital leases with the 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. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2012 and 2013, p totaled \$502,755 and \$493,443, respectively.

**Note 10. *Other Postemployment Benefits***

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

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## SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which 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 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, 2012

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Self- Insurance	Levy Excess
Cash and investments - beginning	\$ 1,431,118	\$ 427,701	\$ 5,304	\$ 216,045	\$ 12,492	\$ 403,881	\$ 109,292	\$ 28,338	\$ 490,004	\$ 11,646
Receipts:										
Local sources	109,084	1,789,955	656,038	847,928	104,547	-	215,637	174,113	1,809,096	-
Intermediate sources	24	-	-	-	-	-	1,673	-	-	-
State sources	10,970,990	-	-	-	-	-	18,985	117,439	-	-
Federal sources	745	-	-	-	-	-	483,180	-	-	-
Other	23,050	-	-	-	-	-	-	-	-	-
Total receipts	<u>11,103,893</u>	<u>1,789,955</u>	<u>656,038</u>	<u>847,928</u>	<u>104,547</u>	<u>-</u>	<u>719,475</u>	<u>291,552</u>	<u>1,809,096</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	7,916,881	-	-	-	-	-	-	-	-	-
Support services	2,729,996	351,674	534,338	863,219	92,710	-	-	337,564	-	-
Noninstructional services	211,552	-	-	-	-	-	695,226	-	-	-
Facilities acquisition and construction	4,180	-	19,164	-	-	-	-	-	-	-
Debt services	-	1,395,781	-	-	-	55,372	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	2,017,814	-
Total disbursements	<u>10,862,609</u>	<u>1,747,455</u>	<u>553,502</u>	<u>863,219</u>	<u>92,710</u>	<u>55,372</u>	<u>695,226</u>	<u>337,564</u>	<u>2,017,814</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>241,284</u>	<u>42,500</u>	<u>102,536</u>	<u>(15,291)</u>	<u>11,837</u>	<u>(55,372)</u>	<u>24,249</u>	<u>(46,012)</u>	<u>(208,718)</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	80,742	-	-	11,646	20,000	55,372	207,891	20,000	-	-
Transfers out	(75,006)	(55,372)	(36,930)	-	(40,000)	-	(207,891)	-	-	(11,646)
Total other financing sources (uses)	<u>5,736</u>	<u>(55,372)</u>	<u>(36,930)</u>	<u>11,646</u>	<u>(20,000)</u>	<u>55,372</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>(11,646)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>247,020</u>	<u>(12,872)</u>	<u>65,606</u>	<u>(3,645)</u>	<u>(8,163)</u>	<u>-</u>	<u>24,249</u>	<u>(26,012)</u>	<u>(208,718)</u>	<u>(11,646)</u>
Cash and investments - ending	<u>\$ 1,678,138</u>	<u>\$ 414,829</u>	<u>\$ 70,910</u>	<u>\$ 212,400</u>	<u>\$ 4,329</u>	<u>\$ 403,881</u>	<u>\$ 133,541</u>	<u>\$ 2,326</u>	<u>\$ 281,286</u>	<u>\$ -</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, 2012  
 (Continued)

	Child Care Program	Educational License Plates	Alternative Education	SAFE School Haven	Safe Haven Grant 2012-13	Early Intervention Grant	Scholarships and Awards	Scholarship Fund	Crowe Educator Award	Donations
Cash and investments - beginning	\$ (4,607)	\$ 244	\$ 1,811	\$ -	\$ -	\$ -	\$ 57,660	\$ 11,101	\$ -	\$ 2,685
Receipts:										
Local sources	-	-	-	-	-	-	4,288	-	500	1,325
Intermediate sources	-	244	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	5,800	-	-	-	-
Federal sources	9,943	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	78,300	200	-	-
Total receipts	9,943	244	-	-	-	5,800	82,588	200	500	1,325
Disbursements:										
Current:										
Instruction	-	-	-	-	-	2,923	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	13,834	-	-	-	-	-	-	11,301	500	963
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	39,300	-	-	-
Total disbursements	13,834	-	-	-	-	2,923	39,300	11,301	500	963
Excess (deficiency) of receipts over disbursements	(3,891)	244	-	-	-	2,877	43,288	(11,101)	-	362
Other financing sources (uses):										
Transfers in	2,568	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(1,811)	-	-	-	-	-	-	-
Total other financing sources (uses)	2,568	-	(1,811)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,323)	244	(1,811)	-	-	2,877	43,288	(11,101)	-	362
Cash and investments - ending	\$ (5,930)	\$ 488	\$ -	\$ -	\$ -	\$ 2,877	\$ 100,948	\$ -	\$ -	\$ 3,047

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, 2012  
 (Continued)

	Riverboat Casino	Gifted and Talented	Education Technology	Non-English Speaking Programs P.L. 273-1999	School Technology	School Safety Grant	Excess PTRC Distributions	Title I	Drug Free Schools
Cash and investments - beginning	\$ 100,039	\$ 3,974	\$ -	\$ 449	\$ (9,778)	\$ (2,808)	\$ -	\$ (41,326)	\$ 6,468
Receipts:									
Local sources	-	-	103,000	-	-	-	-	-	-
Intermediate sources	411,265	-	-	-	-	-	-	-	-
State sources	-	30,446	-	-	4,110	20,000	-	-	-
Federal sources	-	-	-	-	-	-	-	421,269	-
Other	-	-	-	-	-	-	14,570	-	-
Total receipts	411,265	30,446	103,000	-	4,110	20,000	14,570	421,269	-
Disbursements:									
Current:									
Instruction	1,575	28,580	109,720	-	4,350	17,192	-	392,303	1,900
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	800	-
Facilities acquisition and construction	25,000	-	-	-	-	-	-	-	-
Debt services	220,025	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	5,797	-	-
Total disbursements	246,600	28,580	109,720	-	4,350	17,192	5,797	393,103	1,900
Excess (deficiency) of receipts over disbursements	164,665	1,866	(6,720)	-	(240)	2,808	8,773	28,166	(1,900)
Other financing sources (uses):									
Transfers in	-	-	-	-	10,018	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(4,568)
Total other financing sources (uses)	-	-	-	-	10,018	-	-	-	(4,568)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	164,665	1,866	(6,720)	-	9,778	2,808	8,773	28,166	(6,468)
Cash and investments - ending	\$ 264,704	\$ 5,840	\$ (6,720)	\$ 449	\$ -	\$ -	\$ 8,773	\$ (13,160)	\$ -

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, 2012  
 (Continued)

	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools and Low Income Program Pass Through State	Title 1 Stimulus Grant 2010/2011	Title 1 Stimulus Grant 2009/2010	Special Education Part B	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ (108,961)	\$ (32,694)	\$ (95,980)	\$ -	\$ -	\$ -	\$ -	\$ 3,024,098
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,815,511
Intermediate sources	-	-	-	-	-	-	-	-	413,206
State sources	-	-	-	-	-	-	-	-	11,167,770
Federal sources	-	107,846	58,126	119,148	-	-	353,440	-	1,553,697
Other	-	-	-	-	-	-	-	2,352,421	2,468,541
Total receipts	-	107,846	58,126	119,148	-	-	353,440	2,352,421	21,418,725
Disbursements:									
Current:									
Instruction	-	129,741	25,444	23,474	2,866	-	341,032	-	8,997,981
Support services	-	-	-	-	-	998	12,408	-	4,922,907
Noninstructional services	-	-	-	-	-	-	-	-	934,176
Facilities acquisition and construction	-	-	-	-	-	-	-	-	48,344
Debt services	-	-	-	-	-	-	-	-	1,671,178
Nonprogrammed charges	-	-	-	-	-	-	-	2,352,421	4,415,332
Total disbursements	-	129,741	25,444	23,474	2,866	998	353,440	2,352,421	20,989,918
Excess (deficiency) of receipts over disbursements	-	(21,895)	32,682	95,674	(2,866)	(998)	-	-	428,807
Other financing sources (uses):									
Transfers in	-	20,817	-	306	2,866	998	-	-	433,224
Transfers out	-	-	-	-	-	-	-	-	(433,224)
Total other financing sources (uses)	-	20,817	-	306	2,866	998	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,078)	32,682	95,980	-	-	-	-	428,807
Cash and investments - ending	\$ -	\$ (110,039)	\$ (12)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,452,905

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, 2013

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Self- Insurance	Levy Excess
Cash and investments - beginning	\$ 1,678,138	\$ 414,829	\$ 70,910	\$ 212,400	\$ 4,329	\$ 403,881	\$ 133,541	\$ 2,326	\$ 281,286	\$ -
Receipts:										
Local sources	114,728	1,379,076	711,206	692,574	107,289	-	200,017	114,198	1,869,659	-
Intermediate sources	13	-	-	-	-	-	-	-	-	-
State sources	11,143,291	-	-	-	-	-	8,032	114,379	-	-
Federal sources	15,659	-	-	-	-	-	513,234	-	-	-
Other	9,389	-	-	-	-	-	-	-	-	-
Total receipts	<u>11,283,080</u>	<u>1,379,076</u>	<u>711,206</u>	<u>692,574</u>	<u>107,289</u>	<u>-</u>	<u>721,283</u>	<u>228,577</u>	<u>1,869,659</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	8,309,478	-	-	-	-	-	-	-	-	-
Support services	2,881,979	-	467,532	697,621	45,756	-	-	105,596	300	-
Noninstructional services	246,710	-	-	-	-	-	719,982	-	-	-
Facilities acquisition and construction	2,929	-	245,826	-	-	-	-	510	-	-
Debt services	-	1,370,681	55,372	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,800,906	-
Total disbursements	<u>11,441,096</u>	<u>1,370,681</u>	<u>768,730</u>	<u>697,621</u>	<u>45,756</u>	<u>-</u>	<u>719,982</u>	<u>106,106</u>	<u>1,801,206</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(158,016)</u>	<u>8,395</u>	<u>(57,524)</u>	<u>(5,047)</u>	<u>61,533</u>	<u>-</u>	<u>1,301</u>	<u>122,471</u>	<u>68,453</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	40,000	-	-	-	-	96,119	227,474	-	-	-
Transfers out	(61,268)	-	-	-	(20,000)	-	(227,474)	(20,000)	-	-
Total other financing sources (uses)	<u>(21,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>96,119</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(179,284)</u>	<u>8,395</u>	<u>(57,524)</u>	<u>(5,047)</u>	<u>41,533</u>	<u>96,119</u>	<u>1,301</u>	<u>102,471</u>	<u>68,453</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,498,854</u>	<u>\$ 423,224</u>	<u>\$ 13,386</u>	<u>\$ 207,353</u>	<u>\$ 45,862</u>	<u>\$ 500,000</u>	<u>\$ 134,842</u>	<u>\$ 104,797</u>	<u>\$ 349,739</u>	<u>\$ -</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, 2013  
 (Continued)

	Child Care Program	Educational License Plates	Alternative Education	SAFE School Haven	Safe Haven Grant 2012-13	Early Intervention Grant	Scholarships and Awards	Scholarship Fund	Crowe Educator Award	Donations
Cash and investments - beginning	\$ (5,930)	\$ 488	\$ -	\$ -	\$ -	\$ 2,877	\$ 100,948	\$ -	\$ -	\$ 3,047
Receipts:										
Local sources	-	-	-	-	-	-	66	-	500	2,603
Intermediate sources	-	263	-	-	-	-	-	-	-	-
State sources	-	-	-	9,293	-	-	-	-	-	-
Federal sources	2,511	-	-	-	(6,009)	-	-	-	-	-
Other	-	-	-	-	-	-	38,300	-	-	-
Total receipts	2,511	263	-	9,293	(6,009)	-	38,366	-	500	2,603
Disbursements:										
Current:										
Instruction	-	-	-	6,009	-	2,877	-	-	-	1,297
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	6,147	-	-	-	-	-	-	-	500	150
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	66,300	-	-	-
Total disbursements	6,147	-	-	6,009	-	2,877	66,300	-	500	1,447
Excess (deficiency) of receipts over disbursements	(3,636)	263	-	3,284	(6,009)	(2,877)	(27,934)	-	-	1,156
Other financing sources (uses):										
Transfers in	9,566	-	-	-	6,009	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,566	-	-	-	6,009	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,930	263	-	3,284	-	(2,877)	(27,934)	-	-	1,156
Cash and investments - ending	\$ -	\$ 751	\$ -	\$ 3,284	\$ -	\$ -	\$ 73,014	\$ -	\$ -	\$ 4,203

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, 2013  
 (Continued)

	Riverboat Casino	Gifted and Talented	Education Technology	Non-English Speaking Programs P.L. 273-1999	School Technology	School Safety Grant	Excess PTRC Distributions	Title I	Drug Free Schools
Cash and investments - beginning	\$ 264,704	\$ 5,840	\$ (6,720)	\$ 449	\$ -	\$ -	\$ 8,773	\$ (13,160)	\$ -
Receipts:									
Local sources	-	-	5,243	-	-	-	-	-	-
Intermediate sources	397,537	-	-	-	-	-	-	-	-
State sources	-	30,366	-	-	3,621	-	-	-	-
Federal sources	-	-	69,999	-	-	-	-	366,425	-
Other	-	-	-	-	-	-	20	-	-
Total receipts	397,537	30,366	75,242	-	3,621	-	20	366,425	-
Disbursements:									
Current:									
Instruction	92,256	35,890	95,259	-	4,972	-	-	378,049	-
Support services	4,686	-	-	-	-	-	-	-	-
Noninstructional services	-	-	2,000	-	-	-	-	-	-
Facilities acquisition and construction	51,400	-	-	-	-	-	-	-	-
Debt services	215,900	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	8,773	-	-
Total disbursements	364,242	35,890	97,259	-	4,972	-	8,773	378,049	-
Excess (deficiency) of receipts over disbursements	33,295	(5,524)	(22,017)	-	(1,351)	-	(8,753)	(11,624)	-
Other financing sources (uses):									
Transfers in	-	-	56	-	-	-	18,555	-	-
Transfers out	(96,119)	-	-	-	-	-	(18,555)	-	-
Total other financing sources (uses)	(96,119)	-	56	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(62,824)	(5,524)	(21,961)	-	(1,351)	-	(8,753)	(11,624)	-
Cash and investments - ending	\$ 201,880	\$ 316	\$ (28,681)	\$ 449	\$ (1,351)	\$ -	\$ 20	\$ (24,784)	\$ -

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, 2013  
 (Continued)

	Medicaid Reimbursement Federal	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools and Low Income Program Pass Through State	Title 1 Stimulus Grant 2010/2011	Title 1 Stimulus Grant 2009/2010	Special Education Part B	Education Jobs	Payroll	Totals
Cash and investments - beginning	\$ -	\$ (110,039)	\$ (12)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,452,905
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,197,159
Intermediate sources	-	-	-	-	-	-	-	-	397,813
State sources	-	-	-	-	-	-	-	-	11,308,982
Federal sources	(158)	92,771	28,100	-	-	-	7,217	-	1,089,749
Other	-	-	-	-	-	-	-	2,392,707	2,440,416
Total receipts	(158)	92,771	28,100	-	-	-	7,217	2,392,707	20,434,119
Disbursements:									
Current:									
Instruction	3,843	11,364	28,661	-	-	-	7,217	-	8,977,172
Support services	-	-	-	-	-	-	-	-	4,203,470
Noninstructional services	-	-	-	-	-	-	-	-	975,489
Facilities acquisition and construction	-	-	-	-	-	-	-	-	300,665
Debt services	-	-	-	-	-	-	-	-	1,641,953
Nonprogrammed charges	-	-	-	-	-	-	-	2,392,707	4,268,686
Total disbursements	3,843	11,364	28,661	-	-	-	7,217	2,392,707	20,367,435
Excess (deficiency) of receipts over disbursements	(4,001)	81,407	(561)	-	-	-	-	-	66,684
Other financing sources (uses):									
Transfers in	18,079	27,558	-	-	-	-	-	-	443,416
Transfers out	-	-	-	-	-	-	-	-	(443,416)
Total other financing sources (uses)	18,079	27,558	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	14,078	108,965	(561)	-	-	-	-	-	66,684
Cash and investments - ending	\$ 14,078	\$ (1,074)	\$ (573)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,519,589

PAOLI COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 June 30, 2013

Paoli Community School Corporation	Accounts Payable	Accounts Receivable
General	\$ 118,651	\$ -
Capital Project	39,375	-
School Transportation	4,510	-
School Bus Replacement	78,873	-
Textbook Rental	178,269	-
Self-Insurance	53,113	7,999
Various Reimbursable Grants	-	69,804
 Total governmental activities	 \$ 472,791	 \$ 77,803

PAOLI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Paoli Community School Building Corporation	First mortgage refunding bonds	\$ 281,705	01-15-10	01-15-21
Paoli Community School Building Corporation	School building and facilities improvements	220,000	01-15-10	07-15-27
Old National Bank	Purchase computers	<u>27,686</u>	07-15-10	07-15-15
Total of annual lease payments		<u>\$ 529,391</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	School building and facilities improvements	\$ 135,000	\$ 69,608
Notes and loans payable	School building and facilities improvements	<u>11,017,878</u>	<u>998,109</u>
Totals		<u>\$ 11,152,878</u>	<u>\$ 1,067,717</u>

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PAOLI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2013

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

	<u>Ending Balance</u>
Governmental activities	
Land	
Buildings	\$ 212,393
Improvements other than buildings	47,348,381
Machinery, equipment, and vehicles	2,007,258
	<u>6,149,808</u>
Total capital assets	<u>\$ 55,717,840</u>

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

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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Paoli Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

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

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

***Report on Internal Control Over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014

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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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553		\$ 135,968	\$ 140,506
National School Lunch Program	Indiana Department of Education	10.555		397,652	426,388
Total - Child Nutrition Cluster				533,620	566,894
Total - Department of Agriculture				533,620	566,894
<u>U.S. Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
			FY 2010-11	58,082	-
			FY 2011-12	335,019	70,504
			FY 2012-13	-	307,544
Total - Title I Grants to local Educational Agencies				393,101	378,048
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389			
			FY 2011-12	23,474	-
Total - Title I, Part A Cluster				416,575	378,048
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186			
			FY 2009-10	1,900	-
Rural Education	Indiana Department of Education	84.358			
			FY 2010-11	9,939	-
			FY 2011-12	15,504	5,866
			FY 2012-13	-	22,796
Total - Rural Education				25,443	28,662
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			11-6155	19,702	-
			12-6155	110,039	10,290
			13-6155	-	1,074
Total - Improving Teacher Quality State Grants				129,741	11,364
Education Jobs Fund	Indiana Department of Education	84.410			
			11-6155	353,440	7,217
Total - U.S. Department of Education				927,099	425,291
Total federal awards expended				\$ 1,460,719	\$ 992,185

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

Program Title	Federal CFDA Number	2012	2013
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 11,418	\$ 11,997
National School Lunch Program	10.555	32,877	35,915

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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee?	no
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PAOLI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section II – Financial Statement Finding***

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation Treasurer prepares the SEFA, but no other review or approval is performed to verify the accuracy of the information and amounts. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

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

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

No matters are reportable.

**PAOLI COMMUNITY SCHOOL CORPORATION**  
OFFICE OF THE SUPERINTENDENT

E.C. "CASEY" BREWSTER  
SUPERINTENDENT OF SCHOOLS

501 ELM STREET OFC SUPT  
PAOLI, INDIANA 47454-1197  
TELEPHONE: (812) 723-4717  
FAX: (812) 723-5100

DR. VIC COMBS  
ADULT EDUCATION COORDINATOR

JULIE OSBORN  
TREASURER

CINDY EUBANK  
DEPUTY TREASURER

LISA MUTH  
SECRETARY

February 10, 2014

State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, IN 46204

Re: Corrective Action Plan for Finding 2011-2013

To Whom It May Concern:

Paoli Community School Corporation has been given a copy of the Finding 2013-001-Internal Controls Over the Schedule of Expenditures of Federal Awards.

With the auditor's instruction, we have made corrections to the audit report and all entries now have proper CFDA numbers and proper dollar amounts.

We are also developing new procedures and controls to alleviate such problems so that we may accurately report federal awards for future grant schedules.

Sincerely,



Julie M. Osborn  
Corporation Treasurer



Casey Brewster  
Superintendent of Schools

PAOLI COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2014, with Casey Brewster, Superintendent of Schools; Julie M. Osborn, Treasurer; and James W. McDonald, Jr., President of the School Board.