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

AUDIT REPORT

OF

PAOLI COMMUNITY SCHOOL CORPORATION

ORANGE COUNTY, INDIANA

July 1, 2007 to June 30, 2009

FILED
03/05/2010

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	G. Brooke Hill	07-01-07 to 06-30-10
Superintendent of Schools	Dr. Alva L. Sibbitt, Jr.	07-01-07 to 07-31-12
President of the School Board	James W. McDonald	07-01-07 to 06-30-10

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paoli Community School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 18, 2010, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

February 18, 2010

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paoli Community School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

February 18, 2010

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	$ 8,147,174	$ -	$ 203,829	$ (7,943,345)
Support services	3,845,306	258,532	415,108	(3,171,666)
Noninstructional services	765,676	-	-	(765,676)
Facilities acquisition and construction	777,764	-	-	(777,764)
Debt service	1,150,899	-	-	(1,150,899)
Nonprogrammed charges	2,345,333	-	-	(2,345,333)
Total governmental activities	$ 17,032,152	$ 258,532	$ 618,937	(16,154,683)
General receipts:				
Property taxes				3,652,479
Other local sources				2,540,495
State aid				8,314,896
Bonds and loans				876,804
Grants and contributions not restricted to specific programs				582,656
Sale of property				31,102
Investment earnings				126,054
Other				3,215
Total general receipts				16,127,701
Change in net assets				(26,982)
Net assets - beginning				2,859,833
Net assets - ending				$ 2,832,851

Assets	
Cash and investments	$ 2,237,114
Restricted assets:	
Cash and investments	595,737
Total assets	$ 2,832,851

Net Assets	
Restricted for:	
Debt service	$ 220
Other purposes	595,517
Unrestricted	2,237,114
Total net assets	$ 2,832,851

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 8,181,240	$ -	$ 254,693	$ (7,926,547)
Support services	4,184,989	291,875	476,201	(3,416,913)
Noninstructional services	802,424	-	-	(802,424)
Facilities acquisition and construction	8,383,622	-	-	(8,383,622)
Debt service	950,908	-	-	(950,908)
Nonprogrammed charges	2,610,195	-	-	(2,610,195)
Total governmental activities	$ 25,113,378	$ 291,875	$ 730,894	(24,090,609)
General receipts:				
Property taxes				3,096,365
Other local sources				2,515,132
State aid				8,780,607
Bonds and loans				9,077,923
Grants and contributions not restricted to specific programs				1,542,240
Sale of property				50
Investment earnings				41,334
Other				9,315
Total general receipts				25,062,966
Change in net assets				972,357
Net assets - beginning				2,832,851
Net assets - ending				$ 3,805,208

Assets	
Cash and investments	$ 3,042,655
Restricted assets:	
Cash and investments	762,553
Total assets	$ 3,805,208

Net Assets	
Restricted for:	
Debt service	$ 87,177
Other purposes	675,376
Unrestricted	3,042,655
Total net assets	$ 3,805,208

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Rainy Day	Construction	Other	Totals
Receipts:					
Local sources	$ 2,355,067	$ -	$ 3	$ 2,771,993	$ 5,127,063
Intermediate sources	17,464	-	-	638	18,102
State sources	8,458,319	-	-	177,866	8,636,185
Federal sources	-	-	-	880,302	880,302
Other	3,215	-	-	-	3,215
Total receipts	10,834,065	-	3	3,830,799	14,664,867
Disbursements:					
Current:					
Instruction	7,556,742	-	64,095	526,337	8,147,174
Support services	2,487,161	-	13,800	1,344,345	3,845,306
Noninstructional services	172,191	-	-	593,485	765,676
Facilities acquisition and construction	21,209	-	756,555	-	777,764
Debt services	-	-	-	1,150,899	1,150,899
Nonprogrammed charges	887,287	-	-	57,750	945,037
Total disbursements	11,124,590	-	834,450	3,672,816	15,631,856
Excess (deficiency) of receipts over disbursements	(290,525)	-	(834,447)	157,983	(966,989)
Other financing sources (uses):					
Proceeds of long-term debt	-	-	876,804	-	876,804
Sale of capital assets	31,102	-	-	-	31,102
Transfers in	454,050	500,000	-	337,130	1,291,180
Transfers out	(738,409)	-	-	(552,771)	(1,291,180)
Total other financing sources (uses)	(253,257)	500,000	876,804	(215,641)	907,906
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(543,782)	500,000	42,357	(57,658)	(59,083)
Cash and investments - beginning	2,016,926	-	56	279,435	2,296,417
Cash and investments - ending	$ 1,473,144	$ 500,000	$ 42,413	$ 221,777	2,237,334
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:					
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					595,517
Net assets of governmental activities					$ 2,832,851
Cash and Investment Assets - Ending					
Cash and investments	$ 1,473,144	$ 500,000	$ 42,413	$ 221,557	$ 2,237,114
Restricted assets:					
Cash and investments	-	-	-	220	220
Total cash and investment assets - ending	$ 1,473,144	$ 500,000	$ 42,413	$ 221,777	$ 2,237,334
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	$ -	$ -	$ -	$ 220	$ 220
Unrestricted	1,473,144	500,000	42,413	221,557	2,237,114
Total cash and investment fund balance - ending	$ 1,473,144	$ 500,000	$ 42,413	$ 221,777	$ 2,237,334

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Rainy Day	Fiscal Stabilization-Education (Stimulus)	Construction	Other	Totals
Receipts:						
Local sources	$ 2,039,546	$ -	$ -	$ 6	$ 2,374,273	$ 4,413,825
Intermediate sources	27,361	-	-	-	656	28,017
State sources	8,957,997	-	-	-	217,360	9,175,357
Federal sources	-	-	916,102	-	962,284	1,878,386
Other	9,315	-	-	-	-	9,315
Total receipts	11,034,219	-	916,102	6	3,554,573	15,504,900
Disbursements:						
Current:						
Instruction	7,357,415	-	-	141,588	682,237	8,181,240
Support services	2,742,377	-	-	-	1,442,612	4,184,989
Noninstructional services	179,051	-	-	-	623,373	802,424
Facilities acquisition and construction	2,855	-	-	8,380,767	-	8,383,622
Debt services	-	-	-	-	950,908	950,908
Nonprogrammed charges	1,129,090	-	-	-	58,102	1,187,192
Total disbursements	11,410,788	-	-	8,522,355	3,757,232	23,690,375
Excess (deficiency) of receipts over disbursements	(376,569)	-	916,102	(8,522,349)	(202,659)	(8,185,475)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	9,077,923	-	9,077,923
Sale of capital assets	50	-	-	-	-	50
Transfers in	313,000	-	-	-	702,754	1,015,754
Transfers out	(548,624)	-	-	-	(467,130)	(1,015,754)
Total other financing sources (uses)	(235,574)	-	-	9,077,923	235,624	9,077,973
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(612,143)	-	916,102	555,574	32,965	892,498
Cash and investments - beginning	1,473,144	500,000	-	42,413	221,777	2,237,334
Cash and investments - ending	$ 861,001	$ 500,000	$ 916,102	$ 597,987	$ 254,742	3,129,832
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						675,376
Net assets of governmental activities						$ 3,805,208
Cash and Investment Assets - Ending						
Cash and investments	$ 861,001	$ 500,000	$ 916,102	$ 597,987	$ 167,565	$ 3,042,655
Restricted assets:						
Cash and investments	-	-	-	-	87,177	87,177
Total cash and investment assets - ending	$ 861,001	$ 500,000	$ 916,102	$ 597,987	$ 254,742	$ 3,129,832
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ 87,177	$ 87,177
Unrestricted	861,001	500,000	916,102	597,987	167,565	3,042,655
Total cash and investment fund balance - ending	$ 861,001	$ 500,000	$ 916,102	$ 597,987	$ 254,742	$ 3,129,832

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Charges for services	$ 1,432,397
Operating disbursements:	
Insurance claims and expense	1,400,296
Excess of operating receipts over operating disbursements	32,101
Cash and investment fund balance - beginning	563,416
Cash and investment fund balance - ending	$ 595,517
Cash and Investment Assets - Ending	
Restricted assets:	
Cash and investments	$ 595,517
Cash and Investment Fund Balance - Ending	
Restricted for:	
Other purposes	$ 595,517

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	$ 1,502,862
Operating disbursements:	
Insurance claims and expense	1,423,003
Excess of operating receipts over operating disbursements	79,859
Cash and investment fund balance - beginning	595,517
Cash and investment fund balance - ending	$ 675,376
Cash and Investment Assets - Ending	
Restricted assets:	
Cash and investments	$ 675,376
Cash and Investment Fund Balance - Ending	
Restricted for:	
Other purposes	$ 675,376

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	$ 598,984
Investment earnings:	
Interest	4,580
Total additions	603,564
Deductions:	
Administrative and general	457,724
Excess of total additions over total deductions	145,840
Cash and investment fund balance - beginning	100,169
Cash and investment fund balance - ending	$ 246,009
Net assets:	
Cash and investments	$ 246,009

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

PAOLI COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	$ 475,716
Deductions:	
Administrative and general	346,695
Excess of total additions over total deductions	129,021
Cash and investment fund balance - beginning	246,009
Cash and investment fund balance - ending	$ 375,030
Net assets:	
Cash and investments	$ 375,030

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Paoli Community School Corporation

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

Joint Ventures

The School Corporation is a participant in a joint venture to operate Lost River Career Cooperative, which was created to establish and maintain an area vocational school. The Lost River Career Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Lost River Career Cooperative can be obtained from the joint venture's administrative office at 600 Elm Street, Suite 1, Paoli, IN 47454.

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

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The Rainy Day Fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The fiscal stabilization - education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The Construction Fund accounts for planned construction, repair, replacement or remodeling of building projects.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for all receipts and disbursements from the School Corporation's self-insurance fund.

The private-purpose trust funds report trust arrangements under which principal and income benefit the annual disbursement of scholarship funds to eligible students, the receipts and disbursements of amounts donated to the school corporation, and the receipts and disbursements of the Riverboat Casino Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

   Government-Wide Statements

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

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

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

   Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Safe Haven Grant	$ (3,554)	$ -
Early Intervention Grant	-	(3,047)
School Technology	(6,404)	(9,901)
School to Career	(20,885)	-
Title II Part A	(3,390)	(15,354)
Title II Part D	-	(136)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of $4,971,289.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	Rainy Day	$ 500,000	$ -
	Other governmental funds	238,409	548,624
Other governmental funds	General Fund	454,050	313,000
	Other governmental funds	98,721	154,130
Totals		$ 1,291,180	$ 1,015,754

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Medical Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Paoli Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2008 and 2009, totaled $721,625 and $604,090, respectively.

C. Subsequent Events

In August 2009, the Paoli Community School Building Corporation restructured its lease agreement with the Paoli Community School Corporation by issuing $2,500,000 of bonds to be repaid from Riverboat Casino revenues. This was done to help finance the school building and renovation project. The School Building Corporation also refunded its existing bonds with a $2,950,000 issue.

D. Termination Benefits

The School Corporation provides termination benefits to eligible employees as follows: After 10 years of continuous service in the School Corporation and upon retirement after attaining at least the age of 50 years, certified school employees shall receive $62 per day for each unused sick leave day accumulated in the School Corporation up to a maximum of 280 days. After 15 years of continuous service with the School Corporation and upon attaining at least the age of 55 years, noncertified eligible employees who terminate their employment in good standing shall receive $25 per day for each unused sick leave day, up to a maximum of 60 days.

E. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The Paoli Community School Corporation healthcare plan is a single-employer defined benefit healthcare plan administered by the School Corporation. The plan provides health, dental, vision, and life insurance to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation. The financial activity of this plan is included in these financial statements.

Funding Policy

The contribution requirements of plan members for the postemployment benefits are established by the School Corporation's governing board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2009, the School Corporation contributed $204,956 to the plan for current premiums (approximately 86.3% of total premiums). Plan members receiving benefits contributed $32,562, or approximately 13.7% of the total premiums, through their required contribution of $365 per month for retiree-only coverage and $615 for retiree and spouse coverage.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 94,441
Interest on net pension obligation	(661)
Adjustment to annual required contribution	754
Annual pension cost	94,534
Contributions made	90,497
Increase in net pension obligation	4,037
Net pension obligation, beginning of year	(9,123)
Net pension obligation, end of year	$ (5,086)

	PERF
Contribution rates:	
School Corporation	7.75%
Plan members	3%
Actuarial valuation date	07-01-09
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	$ 80,069	91%	$ (28,053)
	06-30-07	97,511	81%	(9.123)
	06-30-08	94,534	96%	(5,086)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2008, and 2009, were $171,954, $202,868, and $216,009, respectively. The School Corporation actually contributed 100%, of the required contribution for each of the fiscal years.

PAOLI COMMUNITY SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	$ 1,049,288	$ 1,373,853	$ (324,565)	76%	$ 1,146,699	(28%)
07-01-07	1,208,336	1,458,766	(250,430)	83%	1,134,928	(22%)
07-01-08	1,283,433	1,562,834	(279,401)	82%	1,245,076	(22%)

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Transportation Operating	Special Education Pre-School	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education Grant
Receipts:							
Local sources	$ 603,128	$ 7,033	$ 217,443	$ 133,525	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	638	-
State sources	-	49,226	6,085	52,687	-	-	432
Federal sources	-	-	356,336	-	-	-	-
Total receipts	603,128	56,259	579,864	186,212	-	638	432
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	610,316	-	-	147,367	-	-	-
Noninstructional services	-	-	588,925	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	57,750	-	-	-	-	-
Total disbursements	610,316	57,750	588,925	147,367	-	-	-
Excess (deficiency) of receipts over disbursements	(7,188)	(1,491)	(9,061)	38,845	-	638	432
Other financing sources (uses):							
Transfers in	89,409	-	-	-	-	-	-
Transfers out	(82,000)	-	-	-	(98,050)	-	-
Total other financing sources (uses)	7,409	-	-	-	(98,050)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	221	(1,491)	(9,061)	38,845	(98,050)	638	432
Cash and investments - beginning	288	48,186	44,800	18,539	98,050	193	1,379
Cash and investments - ending	$ 509	$ 46,695	$ 35,739	$ 57,384	$ -	$ 831	$ 1,811
Cash and Investment Assets - Ending							
Cash and investments	$ 509	$ 46,695	$ 35,739	$ 57,384	$ -	$ 831	$ 1,811
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 509	$ 46,695	$ 35,739	$ 57,384	$ -	$ 831	$ 1,811
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	509	46,695	35,739	57,384	-	831	1,811
Total cash and investment fund balance - ending	$ 509	$ 46,695	$ 35,739	$ 57,384	$ -	$ 831	$ 1,811

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Safe Haven Grant	Early Intervention Grant	Gifted and Talented 07-08	Gifted and Talented 08-09	Gifted and Talented 06-07	Non-English Speaking Programs
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	5,000	32,032	32,404	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	5,000	32,032	32,404	-	-	-
Disbursements:						
Current:						
Instruction	3,619	16,905	6,700	8,889	336	-
Support services	1,741	10,450	386	2,442	-	-
Noninstructional services	-	3,234	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,360	30,589	7,086	11,331	336	-
Excess (deficiency) of receipts over disbursements	(360)	1,443	25,318	(11,331)	(336)	-
Other financing sources (uses):						
Transfers in	65	-	-	25,318	-	-
Transfers out	(65)	-	(25,318)	-	-	-
Total other financing sources (uses)	-	-	(25,318)	25,318	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(360)	1,443	-	13,987	(336)	-
Cash and investments - beginning	(3,194)	-	-	-	336	449
Cash and investments - ending	$ (3,554)	$ 1,443	$ -	$ 13,987	$ -	$ 449
Cash and Investment Assets - Ending						
Cash and investments	$ (3,554)	$ 1,443	$ -	$ 13,987	$ -	$ 449
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ (3,554)	$ 1,443	$ -	$ 13,987	$ -	$ 449
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	(3,554)	1,443	-	13,987	-	449
Total cash and investment fund balance - ending	$ (3,554)	$ 1,443	$ -	$ 13,987	$ -	$ 449

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	School Technology	Title 1 07-08	Title 1 06-07	Title 1 07-08	Title V 07-08	Title V 06-07
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	181,497	21,761	129,639	1,359	-
Total receipts	-	181,497	21,761	129,639	1,359	-
Disbursements:						
Current:						
Instruction	6,447	170,149	36,217	109,124	-	525
Support services	-	-	-	200	2,612	1,996
Noninstructional services	-	1,182	-	144	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	6,447	171,331	36,217	109,468	2,612	2,521
Excess (deficiency) of receipts over disbursements	(6,447)	10,166	(14,456)	20,171	(1,253)	(2,521)
Other financing sources (uses):						
Transfers in	-	43,165	-	22,994	1,579	-
Transfers out	-	-	(22,994)	(43,165)	-	(220)
Total other financing sources (uses)	-	43,165	(22,994)	(20,171)	1,579	(220)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,447)	53,331	(37,450)	-	326	(2,741)
Cash and investments - beginning	43	-	37,450	-	-	2,741
Cash and investments - ending	$ (6,404)	$ 53,331	$ -	$ -	$ 326	$ -
Cash and Investment Assets - Ending						
Cash and investments	$ (6,404)	$ 53,331	$ -	$ -	$ 326	$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ (6,404)	$ 53,331	$ -	$ -	$ 326	$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	(6,404)	53,331	-	-	326	-
Total cash and investment fund balance - ending	$ (6,404)	$ 53,331	$ -	$ -	$ 326	$ -

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Title V 05-06	Title V 07-08	Title IV Part A 07-08	Title IV Part A 06-07	Indiana Nutrition 06-07	School to Career
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	1,359	7,443	-	-	28,000
Total receipts	-	1,359	7,443	-	-	28,000
Disbursements:						
Current:						
Instruction	1,599	-	5,473	269	-	43,000
Support services	588	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,187	-	5,473	269	-	43,000
Excess (deficiency) of receipts over disbursements	(2,187)	1,359	1,970	(269)	-	(15,000)
Other financing sources (uses):						
Transfers in	-	-	5,600	-	-	-
Transfers out	-	(1,359)	-	(5,600)	-	-
Total other financing sources (uses)	-	(1,359)	5,600	(5,600)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,187)	-	7,570	(5,869)	-	(15,000)
Cash and investments - beginning	2,187	-	-	5,869	467	(5,885)
Cash and investments - ending	$ -	$ -	$ 7,570	$ -	$ 467	$ (20,885)
Cash and Investment Assets - Ending						
Cash and investments	$ -	$ -	$ 7,570	$ -	$ 467	$ (20,885)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ 7,570	$ -	$ 467	$ (20,885)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	7,570	-	467	(20,885)
Total cash and investment fund balance - ending	$ -	$ -	$ 7,570	$ -	$ 467	$ (20,885)

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008
(Continued)

	Title II Part A	Title II Part D	Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	$ -	$ -	$ 1,261,672	$ 445,937	$ 103,255	$ 2,771,993
Intermediate sources	-	-	-	-	-	638
State sources	-	-	-	-	-	177,866
Federal sources	101,434	51,474	-	-	-	880,302
Total receipts	101,434	51,474	1,261,672	445,937	103,255	3,830,799
Disbursements:						
Current:						
Instruction	112,947	4,138	-	-	-	526,337
Support services	-	40,672	-	450,595	74,980	1,344,345
Noninstructional services	-	-	-	-	-	593,485
Debt services	-	-	1,150,899	-	-	1,150,899
Nonprogrammed charges	-	-	-	-	-	57,750
Total disbursements	112,947	44,810	1,150,899	450,595	74,980	3,672,816
Excess (deficiency) of receipts over disbursements	(11,513)	6,664	110,773	(4,658)	28,275	157,983
Other financing sources (uses):						
Transfers in	-	-	12,000	137,000	-	337,130
Transfers out	-	-	(123,000)	(133,000)	(18,000)	(552,771)
Total other financing sources (uses)	-	-	(111,000)	4,000	(18,000)	(215,641)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,513)	6,664	(227)	(658)	10,275	(57,658)
Cash and investments - beginning	8,123	16,896	447	1,019	1,052	279,435
Cash and investments - ending	$ (3,390)	$ 23,560	$ 220	$ 361	$ 11,327	$ 221,777
Cash and Investment Assets - Ending						
Cash and investments	$ (3,390)	$ 23,560	$ -	$ 361	$ 11,327	$ 221,557
Restricted assets:						
Cash and investments	-	-	220	-	-	220
Total cash and investment assets - ending	$ (3,390)	$ 23,560	$ 220	$ 361	$ 11,327	$ 221,777
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ 220	$ -	$ -	$ 220
Unrestricted	(3,390)	23,560	-	361	11,327	221,557
Total cash and investment fund balance - ending	$ (3,390)	$ 23,560	$ 220	$ 361	$ 11,327	$ 221,777

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Transportation Operating	Special Education Pre-School	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education Grant
Receipts:							
Local sources	$ 550,238	$ 5,448	$ 251,106	$ 75,143	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	656	-
State sources	-	41,462	5,512	103,473	-	-	-
Federal sources	-	-	367,217	-	-	-	-
Total receipts	550,238	46,910	623,835	178,616	-	656	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	906	-
Support services	622,594	-	-	213,286	-	-	-
Noninstructional services	-	-	623,293	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	58,102	-	-	-	-	-
Total disbursements	622,594	58,102	623,293	213,286	-	906	-
Excess (deficiency) of receipts over disbursements	(72,356)	(11,192)	542	(34,670)	-	(250)	-
Other financing sources (uses):							
Transfers in	248,187	320	-	-	75,756	-	-
Transfers out	(174,450)	(123)	-	-	(75,756)	-	-
Total other financing sources (uses)	73,737	197	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,381	(10,995)	542	(34,670)	-	(250)	-
Cash and investments - beginning	509	46,695	35,739	57,384	-	831	1,811
Cash and investments - ending	$ 1,890	$ 35,700	$ 36,281	$ 22,714	$ -	$ 581	$ 1,811
Cash and Investment Assets - Ending							
Cash and investments	$ 1,890	$ 35,700	$ 36,281	$ 22,714	$ -	$ 581	$ 1,811
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ 1,890	$ 35,700	$ 36,281	$ 22,714	$ -	$ 581	$ 1,811
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	1,890	35,700	36,281	22,714	-	581	1,811
Total cash and investment fund balance - ending	$ 1,890	$ 35,700	$ 36,281	$ 22,714	$ -	$ 581	$ 1,811

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009
(Continued)

	Safe Haven Grant 07-08	Safe Haven Grant 08-09	Early Intervention Grant	Gifted and Talented 08-09	Non-English Speaking Programs	School Technology	Title 1 07-08
Receipts:							
Local sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	3,554	525	30,430	32,404	-	-	-
Federal sources	-	-	-	-	-	-	30,000
Total receipts	3,554	525	30,430	32,404	-	-	30,000
Disbursements:							
Current:							
Instruction	-	525	22,763	40,127	-	3,497	40,880
Support services	-	-	12,157	2,041	-	-	4,950
Noninstructional services	-	-	-	-	-	-	80
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	525	34,920	42,168	-	3,497	45,910
Excess (deficiency) of receipts over disbursements	3,554	-	(4,490)	(9,764)	-	(3,497)	(15,910)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(37,421)
Total other financing sources (uses)	-	-	-	-	-	-	(37,421)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,554	-	(4,490)	(9,764)	-	(3,497)	(53,331)
Cash and investments - beginning	(3,554)	-	1,443	13,987	449	(6,404)	53,331
Cash and investments - ending	$ -	$ -	$ (3,047)	$ 4,223	$ 449	$ (9,901)	$ -
Cash and Investment Assets - Ending							
Cash and investments	$ -	$ -	$ (3,047)	$ 4,223	$ 449	$ (9,901)	$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	$ -	$ -	$ (3,047)	$ 4,223	$ 449	$ (9,901)	$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	(3,047)	4,223	449	(9,901)	-
Total cash and investment fund balance - ending	$ -	$ -	$ (3,047)	$ 4,223	$ 449	$ (9,901)	$ -

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009
(Continued)

	Title 1 08-09	Title V 07-08	Title V 08-09	Title IV Part A 08-09	Indiana Nutrition 06-07	School to Career
Receipts:						
Local sources	$ -	$ -	$ -	$ -	$ -	$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	405,846	-	1,060	5,680	-	44,900
Total receipts	405,846	-	1,060	5,680	-	44,900
Disbursements:						
Current:						
Instruction	395,450	326	-	4,753	-	34,015
Support services	7,745	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	403,195	326	-	4,753	-	34,015
Excess (deficiency) of receipts over disbursements	2,651	(326)	1,060	927	-	10,885
Other financing sources (uses):						
Transfers in	37,421	-	-	-	-	10,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	37,421	-	-	-	-	10,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	40,072	(326)	1,060	927	-	20,885
Cash and investments - beginning	-	326	-	7,570	467	(20,885)
Cash and investments - ending	$ 40,072	$ -	$ 1,060	$ 8,497	$ 467	$ -
Cash and Investment Assets - Ending						
Cash and investments	$ 40,072	$ -	$ 1,060	$ 8,497	$ 467	$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	$ 40,072	$ -	$ 1,060	$ 8,497	$ 467	$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	40,072	-	1,060	8,497	467	-
Total cash and investment fund balance - ending	$ 40,072	$ -	$ 1,060	$ 8,497	$ 467	$ -

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009
(Continued)

	Title II Part A	Title II Part D	Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	$ -	$ -	$ 1,022,778	$ 369,740	$ 99,820	$ 2,374,273
Intermediate sources	-	-	-	-	-	656
State sources	-	-	-	-	-	217,360
Federal sources	107,581	-	-	-	-	962,284
Total receipts	107,581	-	1,022,778	369,740	99,820	3,554,573
Disbursements:						
Current:						
Instruction	119,545	19,450	-	-	-	682,237
Support services	-	4,246	-	502,593	73,000	1,442,612
Noninstructional services	-	-	-	-	-	623,373
Debt services	-	-	950,908	-	-	950,908
Nonprogrammed charges	-	-	-	-	-	58,102
Total disbursements	119,545	23,696	950,908	502,593	73,000	3,757,232
Excess (deficiency) of receipts over disbursements	(11,964)	(23,696)	71,870	(132,853)	26,820	(202,659)
Other financing sources (uses):						
Transfers in	-	-	47,753	278,475	4,842	702,754
Transfers out	-	-	(32,666)	(144,923)	(1,791)	(467,130)
Total other financing sources (uses)	-	-	15,087	133,552	3,051	235,624
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,964)	(23,696)	86,957	699	29,871	32,965
Cash and investments - beginning	(3,390)	23,560	220	361	11,327	221,777
Cash and investments - ending	$ (15,354)	$ (136)	$ 87,177	$ 1,060	$ 41,198	$ 254,742
Cash and Investment Assets - Ending						
Cash and investments	$ (15,354)	$ (136)	$ -	$ 1,060	$ 41,198	$ 167,565
Restricted assets:						
Cash and investments	-	-	87,177	-	-	87,177
Total cash and investment assets - ending	$ (15,354)	$ (136)	$ 87,177	$ 1,060	$ 41,198	$ 254,742
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	$ -	$ -	$ 87,177	$ -	$ -	$ 87,177
Unrestricted	(15,354)	(136)	-	1,060	41,198	167,565
Total cash and investment fund balance - ending	$ (15,354)	$ (136)	$ 87,177	$ 1,060	$ 41,198	$ 254,742

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2008

	Allen Scholarship	Orange County Community Scholarship	Donation	Riverboat Casino	Totals
Additions:					
Contributions:					
Other	$ 1,300	$ 385	$ 2,997	$ 594,302	$ 598,984
Investment earnings:					
Interest	4,580	-	-	-	4,580
Total additions	5,880	385	2,997	594,302	603,564
Deductions:					
Administrative and general	1,300	385	10,583	445,456	457,724
Excess (deficiency) of total additions over total deductions	4,580	-	(7,586)	148,846	145,840
Cash and investment fund balance - beginning	91,082	-	9,087	-	100,169
Cash and investments - June 30	$ 95,662	$ -	$ 1,501	$ 148,846	$ 246,009
Net assets:					
Cash and investments	$ 95,662	$ -	$ 1,501	$ 148,846	$ 246,009
Total net assets - cash and investment basis held in trust	$ 95,662	$ -	$ 1,501	$ 148,846	$ 246,009

PAOLI COMMUNITY SCHOOL CORPORATION
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2009

	Allen Scholarship	Donation	Ram Sculpture Donations	Riverboat Casino	Totals
Additions:					
Contributions:					
Other	$ 34,300	$ 2,786	$ 2,749	$ 435,881	$ 475,716
Deductions:					
Administrative and general	6,302	1,105	2,749	336,539	346,695
Excess of total additions over total deductions	27,998	1,681	-	99,342	129,021
Cash and investment fund balance - beginning	95,662	1,501	-	148,846	246,009
Cash and investments - June 30	$ 123,660	$ 3,182	$ -	$ 248,188	$ 375,030
Net assets:					
Cash and investments	$ 123,660	$ 3,182	$ -	$ 248,188	$ 375,030
Total net assets - cash and investment basis held in trust	$ 123,660	$ 3,182	$ -	$ 248,188	$ 375,030

PAOLI COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended June 30, 2009

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.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 120,972
Buildings	47,292,186
Improvements other than buildings	1,739,629
Machinery and equipment	5,108,159
Total governmental activities, capital assets not being depreciated	$ 54,260,946

PAOLI COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School buildings and facilities	$ 2,870,000	$ 613,000
Notes and loans payable	12,861,811	1,113,828
Bonds payable:		
General obligation bonds of 2004	380,000	73,800
Total governmental activities debt	$ 16,111,811	$ 1,800,628

PAOLI COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

NEGATIVE FUND BALANCES

The following funds had negative cash balances at June 30, 2008 and 2009:

	2008	2009
Safe Haven Grant	$ 3,554	$ -
Early Intervention Grant	-	3,047
School Technology	6,404	9,901
School to Career	20,885	-
Title II Part A	3,390	15,354
Title II Part D	-	136

The cash balance of any fund may not be reduced below zero. (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

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

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

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

Compliance

We have audited the compliance of the Paoli Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. 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, 2008 and 2009.

Internal Control Over Compliance

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

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

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

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

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

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

STATE BOARD OF ACCOUNTS

February 18, 2010

PAOLI COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		$ 105,621	$ 113,350
National School Lunch Program	10.555		275,955	288,821
Total for federal grantor agency			381,576	402,171
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
FY 2006-07		07-6155	36,216	-
FY 2007-08		08-6155	285,608	45,910
FY 2008-09		09-6155	-	403,194
Total for program			321,824	449,104
Safe and Drug-Free Schools and Communities - State Grants	84.186			
FY 2006-07		06-6155	269	128
FY 2007-08		07-6155	5,473	4,626
Total for program			5,742	4,754
State Grants for Innovative Programs	84.298			
FY 2005-06		05-022	2,187	-
FY 2006-07		06-6155	2,741	-
FY 2007-08		07-6155	2,392	326
Total for program			7,320	326
Education Technology State Grants	84.318			
FY 2005-06		05-025	194	-
FY 2006-07		06-6155	16,490	-
FY 2007-08		07-6155	27,915	23,308
Total for program			44,599	23,308
Improving Teacher Quality State Grants	84.367			
FY 2006-07		06-6155	28,123	-
FY 2007-08		07-6155	84,824	16,610
FY 2008-09		08-6155	-	102,935
Total for program			112,947	119,545
Total for federal grantor agency			492,432	597,037
Total federal awards expended			$ 874,008	$ 999,208

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Paoli Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
Child Nutrition Cluster:			
Food Commodities			
School Breakfast Program	10.553	$ 7,461	$ 10,092
National School Lunch Program	10.555	19,623	24,886

PAOLI COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster
Title 1, Part A Cluster

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

Auditee qualified as low-risk auditee?	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 February 18, 2010, with Dr. Alva L. Sibbitt, Jr., Superintendent of Schools; G. Brooke Hill, Treasurer; and James W. McDonald, President of the School Board. The officials concurred with our audit findings.