

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP

MARION COUNTY, INDIANA

July 1, 2003 to June 30, 2005



FILED
7/6/06

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Proprietary Fund:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Proprietary Fund.....	12-13
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	14-15
Statement of Cash and Investments – Fiduciary Funds	16-17
Notes to Financial Statements	18-28
Required Supplementary Information:	
Schedule of Funding Progress	29
Audit Results and Comments:	
Cash Necessary to Balance, Bank Reconciliations	30
Overdrawn Fund Balances	30
Federal Aid	30
Public Records Retention	30-31
Capital Projects Fund Disbursements	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	
	34-35
Schedule of Expenditures of Federal Awards.....	36-37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs.....	39
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	40
Exit Conference.....	41

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise D. Seger Linda J. Searles	07-01-03 to 08-13-03 08-14-03 to 06-30-06
Superintendent of Schools	Nathaniel Jones	07-01-03 to 06-30-06
President of the School Board	John E. Newton Elaine Eilers Larry Metzler	07-01-03 to 06-30-04 07-01-04 to 06-30-05 07-01-05 to 06-30-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Pike Township (School Corporation), as of and for the years ended June 30, 2004 and 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 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, 2004 and 2005, 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 March 25, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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 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.

STATE BOARD OF ACCOUNTS

May 25, 2006



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

We have audited the financial statements of the Metropolitan School District of Pike Township (School Corporation), as of and for the years ended June 30, 2004 and 2005, and have issued our report thereon dated May 25, 2006. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on May 25, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

May 25, 2006

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 27,232,806
Restricted assets:	
Cash and investments	<u>8,175,465</u>
Total assets	<u>\$ 35,408,271</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 8,175,465
Unrestricted	<u>27,232,806</u>
Total net assets	<u>\$ 35,408,271</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 29,496,995
Restricted assets:	
Cash and investments	<u>6,764,254</u>
Total assets	<u>\$ 36,261,249</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 6,764,254
Unrestricted	<u>29,496,995</u>
Total net assets	<u>\$ 36,261,249</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 35,425,380	\$ 1,139,486	\$ 584,593	\$ (33,701,301)
Support services	81,803,939	2,212,355	1,576,492	(78,015,092)
Community services	780,978	-	-	(780,978)
Nonprogrammed charges	9,144,809	-	-	(9,144,809)
Debt service	29,902,307	-	-	(29,902,307)
Total governmental activities	<u>\$ 157,057,413</u>	<u>\$ 3,351,841</u>	<u>\$ 2,161,085</u>	<u>(151,544,487)</u>
General receipts:				
Property taxes				101,800,533
Other local sources				9,443,893
State aid				17,031,515
Grants and contributions not restricted				3,298,288
Bonds and loans				24,511,722
Sale of property, adjustments, and refunds				1,180,234
Investment earnings				135,659
Intergovernmental transfers				<u>8,092,073</u>
				Total general receipts and intergovernmental transfers <u>165,493,917</u>
				Change in cash and investments 13,949,430
				Net assets - beginning <u>21,458,841</u>
				Net assets - ending <u><u>\$ 35,408,271</u></u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 36,683,266	\$ 958,000	\$ 1,055,320	\$ (34,669,946)
Support services	61,582,020	2,095,099	1,889,216	(57,597,705)
Community services	887,783	-	-	(887,783)
Nonprogrammed charges	10,120,839	-	-	(10,120,839)
Debt service	29,271,252	-	-	(29,271,252)
Total governmental activities	<u>\$ 138,545,160</u>	<u>\$ 3,053,099</u>	<u>\$ 2,944,536</u>	<u>(132,547,525)</u>
General receipts:				
Property taxes				69,245,073
Other local sources				17,548,307
State aid				18,625,067
Grants and contributions not restricted				2,868,084
Bonds and loans				14,444,940
Sale of property, adjustments, and refunds				1,213,472
Investment earnings				484,811
Intergovernmental transfers				<u>8,970,749</u>
				Total general receipts and intergovernmental transfers <u>133,400,503</u>
				Change in cash and investments 852,978
				Net assets - beginning <u>35,408,271</u>
				Net assets - ending <u><u>\$ 36,261,249</u></u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Freshman Center Construction	Other	Totals
Receipts:								
Local sources	\$ 59,609,406	\$ 7,738,078	\$ 21,646,683	\$ 18,709,133	\$ 1,439,903	\$ 66,663	\$ 2,895,120	\$ 112,104,986
State sources	17,193,413	46,245	45,847	-	-	-	1,277,777	18,563,282
Federal sources	48,794	-	-	-	-	-	5,018,299	5,067,093
Bonds and loans	10,866,277	1,588,674	-	-	664,226	11,392,545	-	24,511,722
Sale of property, adjustments and refunds	695,430	43,821	-	406,100	-	158	25,899	1,171,408
Intergovernmental transfers	-	-	-	-	-	-	5,326	5,326
Total receipts	<u>88,413,320</u>	<u>9,416,818</u>	<u>21,692,530</u>	<u>19,115,233</u>	<u>2,104,129</u>	<u>11,459,366</u>	<u>9,222,421</u>	<u>161,423,817</u>
Disbursements:								
Current:								
Instruction	31,747,071	-	-	-	-	-	3,678,309	35,425,380
Support services	23,309,142	4,795,605	-	14,996,093	1,287,104	22,985,361	5,410,956	72,784,261
Community services	559,383	-	-	-	-	-	221,595	780,978
Nonprogrammed charges	7,544,475	740,308	-	121,663	-	-	738,363	9,144,809
Debt services	13,673,514	1,998,891	13,517,122	-	712,780	-	-	29,902,307
Total disbursements	<u>76,833,585</u>	<u>7,534,804</u>	<u>13,517,122</u>	<u>15,117,756</u>	<u>1,999,884</u>	<u>22,985,361</u>	<u>10,049,223</u>	<u>148,037,735</u>
Excess (deficiency) of total receipts over (under) total disbursements	11,579,735	1,882,014	8,175,408	3,997,477	104,245	(11,525,995)	(826,802)	13,386,082
Cash and investments - beginning	1,101,863	142,408	57	3,085,084	926	11,328,337	3,754,174	19,412,849
Cash and investments - ending	<u>\$ 12,681,598</u>	<u>\$ 2,024,422</u>	<u>\$ 8,175,465</u>	<u>\$ 7,082,561</u>	<u>\$ 105,171</u>	<u>\$ (197,658)</u>	<u>\$ 2,927,372</u>	<u>\$ 32,798,931</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 13,386,082
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>563,348</u>
Change in cash and investments of governmental activities	<u>\$ 13,949,430</u>

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Freshman Center Construction	Other	Totals
Receipts:								
Local sources	\$ 38,750,016	\$ 5,725,783	\$ 13,704,737	\$ 15,177,522	\$ 1,140,111	\$ 8,608,948	\$ 4,422,149	\$ 87,529,266
State sources	19,259,793	-	-	-	-	-	1,360,267	20,620,060
Federal sources	51,495	-	-	-	-	-	4,724,133	4,775,628
Bonds and loans	11,792,190	1,739,326	-	-	913,424	-	-	14,444,940
Sale of property, adjustments and refunds	1,258,340	2,097	-	-	-	51,462	36,378	1,348,277
Intergovernmental transfers	-	-	-	-	-	-	25,197	25,197
Total receipts	<u>71,111,834</u>	<u>7,467,206</u>	<u>13,704,737</u>	<u>15,177,522</u>	<u>2,053,535</u>	<u>8,660,410</u>	<u>10,568,124</u>	<u>128,743,368</u>
Disbursements:								
Current:								
Instruction	33,031,459	-	-	-	-	-	3,651,807	36,683,266
Support services	23,314,306	5,196,298	-	9,095,813	933,003	7,808,240	5,909,923	52,257,583
Community services	567,369	-	-	-	-	-	320,414	887,783
Nonprogrammed charges	8,228,926	791,381	-	166,846	-	-	933,686	10,120,839
Debt services	10,866,277	1,588,674	15,710,153	-	1,106,148	-	-	29,271,252
Total disbursements	<u>76,008,337</u>	<u>7,576,353</u>	<u>15,710,153</u>	<u>9,262,659</u>	<u>2,039,151</u>	<u>7,808,240</u>	<u>10,815,830</u>	<u>129,220,723</u>
Excess (deficiency) of total receipts over (under) total disbursements	(4,896,503)	(109,147)	(2,005,416)	5,914,863	14,384	852,170	(247,706)	(477,355)
Cash and investments - beginning	12,681,598	2,024,422	8,175,465	7,082,561	105,171	(197,658)	2,927,372	32,798,931
Cash and investments - ending	<u>\$ 7,785,095</u>	<u>\$ 1,915,275</u>	<u>\$ 6,170,049</u>	<u>\$ 12,997,424</u>	<u>\$ 119,555</u>	<u>\$ 654,512</u>	<u>\$ 2,679,666</u>	<u>\$ 32,321,576</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (477,355)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>1,330,333</u>
Change in cash and investments of governmental activities	<u>\$ 852,978</u>

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 PROPRIETARY FUND
 For The Year Ended June 30, 2004

	Internal Service Fund
Receipts:	
Local sources	\$ 1,487,453
Sale of property, adjustments and refunds	8,826
Transfers	8,086,747
Total receipts	9,583,026
Disbursements:	
Support services	9,019,678
Changes in cash and investments	563,348
Cash and investments - beginning	2,045,992
Cash and investments - ending	\$ 2,609,340

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 PROPRIETARY FUND
 For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 1,709,218
Transfers	8,945,552
Total receipts	10,654,770
Disbursements:	
Support services	9,324,437
Changes in cash and investments	1,330,333
Cash and investments - beginning	2,609,340
Cash and investments - ending	\$ 3,939,673

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2004

	<u>Private-Purpose Trust Funds</u>
Additions:	
Local sources	\$ 30,381
Sale of property, adjustments and refunds	<u>2,900,000</u>
Total additions	<u>2,930,381</u>
Deductions:	
Instruction	627
Support services	914,453
Community services	12,112
Nonprogrammed charges	<u>2,912,257</u>
Total deductions	<u>3,839,449</u>
Deficiency of total additions under total deductions	(909,068)
Cash and investments - beginning	<u>2,232,573</u>
Cash and investments - ending	<u>\$ 1,323,505</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 1,130,474
Intermediate sources	-	938
Bonds and loans	7,507,500	-
Sale of property, adjustments and refunds	-	22,936
Total additions	7,507,500	1,154,348
Deductions:		
Instruction	-	74
Support services	1,489,414	758,507
Community services	-	5,236
Nonprogrammed charges	-	13,307
Total deductions	1,489,414	777,124
Excess of total additions over total deductions	6,018,086	377,224
Cash and investments - beginning	-	1,323,505
Cash and investments - ending	\$ 6,018,086	\$ 1,700,729

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2004

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,323,505	\$ 376,693
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 1,323,505	

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 6,018,086	\$ 1,700,729	\$ 389,607
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 6,018,086</u>	<u>\$ 1,700,729</u>	

The accompanying notes are an integral part of the financial statements.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with Beech Grove City Schools, Carmel-Clay Schools, Center Grove Community School Corporation, Clark Pleasant Community School Corporation, Metropolitan School District of Decatur Township, Franklin Township Schools, Metropolitan School District of Perry Township, Metropolitan School District of Warren Township and Metropolitan School District of Wayne Township in a joint venture to operate the Central Indiana Educational Service Center (CIESC) which was created to provide educational programs and services for participating school districts. The CIESC's continued existence depends on continued funding by the school districts. Complete financial statements for the CIESC can be obtained from the administrative office located at 6321 LaPas Trail, Suite 200, Indianapolis, Indiana, 46268.

The School Corporation is a participant with Brownsburg Community School Corporation in a joint venture to operate the Cooperative Achievement Program (CAP) which was created to develop and maintain alternative education opportunities to meet the needs of their citizens. Costs attributed to the School Corporation are based on the School Corporations actual enrolled participants. Complete financial statements for the CAP can be obtained from Brownsburg Community School Corporation, Brownsburg, Indiana, 46112.

The School Corporation is a participant with the Metropolitan School District of Wayne Township, Avon Community School Corporation, Brownsburg Community School Corporation, Danville Community School Corporation, Eagle-Union School Corporation, Monroe-Gregg School District, Mooresville Consolidated Schools, Plainfield Community Schools and the School Town of Speedway in a joint venture to operate the West Central Joint Services (Co-op) which was created to provide instruction for handicapped children. The Co-op acts as the pass through agency for the special education federal grant and retains the participation fees the School Corporation owes which is based on the number of students in the program. The Co-op uses its surplus resources to undertake special projects for the school district. The Co-op's continued existence depends on the continued funding by the school districts. Complete financial statements for the Co-op can be obtained from the joint ventures administrative office at 4730 West Gadsden Street, Indianapolis, Indiana, 46241.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segments are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, proprietary fund and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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 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.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

The freshman center construction fund is used to account for disbursements for capital outlay and receipts derived from the sale of general obligation bonds or other outside sources.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for disbursements for health claims and receipts derived for the payment of such claims.

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

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds (clearing funds) account for assets held by the School Corporation as an agent for payroll related withholdings and serve as control accounts for certain cash transactions during the time they are a liability to the School Corporation; that is, from the time they are expensed to the government or withheld from the employee's wages until they are transmitted to the proper payee for the purpose withheld.

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

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.

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. There is one internal service fund for self-insurance. This fund is supported by funds that incur a salary expense.

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 Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes 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.

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Property taxes due for distribution by June 30, 2003, were not distributed to the School Corporation because of the State reassessment mandates.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 7 to 12 days per year based on employee classification. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to retiring employees only through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year based on employee classification. Unused personal leave may be accumulated to a maximum of 3 days. Accumulated personal leave in excess of 3 days is converted to sick leave.

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. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School 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 School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from of the Indiana Department of Local Government Finance.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any 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, 2004 and 2005, the following funds reported deficits in cash and investments:

Fund	2004	2005
School Lunch	\$ 122,096	\$ 161,517
Textbook Rental	547,672	670,688
Totals	\$ 669,768	\$ 832,205

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. These deficits are to be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits

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

B. Capital Assets

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	Capitalization Threshold
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Machinery and equipment	500

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital asset additions and deletions for the years ended June 30, 2004 and 2005, are not available.

Capital asset balances as of June 30, 2005, follows:

<u>Fiscal Year 2004-2005</u>	<u>Balance 06-30-05</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,069,400
Buildings	287,716,581
Improvements other than buildings	14,813,713
Machinery and equipment	<u>43,376,575</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 350,976,269</u>

C. Leases

Capital Leases

The School Corporation has entered into various capital leases for the construction and renovations of buildings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, are as follows:

	<u>Governmental Activities</u>
2006	\$ 14,471,725
2007	14,469,225
2008	12,838,725
2009	6,856,538
2010	13,583,000
2011-2015	<u>31,177,000</u>
Total minimum lease payments	93,396,213
Less amount representing interest	<u>15,191,213</u>
Present value of net minimum lease payments	<u>\$ 78,205,000</u>

The assets acquired through capital leases still in effect are as follows:

	<u>Governmental Activities</u>
Buildings	<u>\$ 117,445,000</u>

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

D. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund.

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	<u>\$ 16,385,185</u>	<u>\$ 12,787,064</u>	<u>\$ 16,385,185</u>	<u>\$ 12,787,064</u>
 <u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	<u>\$ 12,787,064</u>	<u>\$ 14,003,018</u>	<u>\$ 12,787,064</u>	<u>\$ 14,003,018</u>

E. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or to finance retirement/severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2004 Pension bonds	2.90% to 5.36%	<u>\$ 7,500,000</u>

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 470,000	\$ 361,516
2007	515,000	321,326
2008	535,000	302,675
2009	555,000	281,513
2010	575,000	258,254
2011-2015	3,290,000	868,740
2016-2017	<u>1,560,000</u>	<u>104,726</u>
Totals	<u>\$ 7,500,000</u>	<u>\$ 2,498,750</u>

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005 was as follows:

<u>Fiscal Year 2003-2004</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	<u>\$ 93,610,000</u>	<u>\$ 4,730,000</u>	<u>\$ 9,835,000</u>	<u>\$ 88,505,000</u>	<u>\$ 10,300,000</u>
 <u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Pension bonds	\$ -	\$ 7,500,000	\$ -	\$ 7,500,000	\$ 470,000
Capital leases	<u>88,505,000</u>	<u>-</u>	<u>10,300,000</u>	<u>78,205,000</u>	<u>10,810,000</u>
 Total governmental activities long-term liabilities	 <u>\$ 88,505,000</u>	 <u>\$ 7,500,000</u>	 <u>\$ 10,300,000</u>	 <u>\$ 85,705,000</u>	 <u>\$ 11,280,000</u>

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with Medical Benefits to Employees. The risk financing fund is accounted for in the Self-Insurance Fund, (an internal service fund,) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are based primarily upon the percentage of each fund's current year payroll as it relates to total payroll paid into the fund by all affected funds 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 affected fund, and are reported as quasi-external interfund transactions.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with Pike Township 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 buildings and renovated facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments during the two year period totaled \$14,361,276 and \$14,468,725, respectively.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 428,778
Interest on net pension obligation	(47,337)
Adjustment to annual required contribution	53,945
Annual pension cost	435,386
Contributions made	523,919
Decrease in net pension obligation	(88,533)
Net pension obligation, beginning of year	(652,930)
Net pension obligation, end of year	\$ (741,463)
Contribution rates:	
School Corporation	5.75%
Plan members	3.00%
Actuarial valuation date	07-01-04
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 313,041	158%	\$ (618,050)
	06-30-03	462,249	108%	(652,930)
	06-30-04	435,386	120%	(741,463)

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Annual Pension Costs

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

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, 2005, 2004, and 2003, were \$2,681,505, \$2,552,251, and \$1,755,612, respectively. The School Corporation actually contributed 100% of the required contribution (including the employee contribution) for each of the fiscal years, respectively.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 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)
07-01-02	\$ 4,894,365	\$ 5,499,149	\$ (604,784)	89%	\$ 7,728,823	(8%)
07-01-03	5,148,401	5,320,790	(172,389)	97%	8,638,646	(2%)
07-01-04	5,433,922	6,131,097	(697,175)	89%	9,243,193	(8%)

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
AUDIT RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect during the two year period. A comparison of record balances to the bank account indicated a cash necessary to balance of \$26,507.77 at June 30, 2005.

A similar comment was reported in previous Audit Reports B09173, B13814, B18263 and B22527.

Indiana Code 5-13-6-1 (e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

There were several overdrawn funds during the audit period and at the end of the audit period, June 30, 2005. A similar comment appeared in the prior Audit Report B22527.

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

FEDERAL AID

The School Corporation deposits the monies received from the United States Department of Justice's Public Safety Partnership and Community Policing Grant (CFDA 16.710) into the General Fund.

If the program provides for a 100% federal grant, or is so required by the Federal Government, a special fund should be established on the records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PUBLIC RECORDS RETENTION (Applies to New Augusta South Academy)

Extra-Curricular records of New August South Academy were destroyed without proper approval. A fire occurred on March 23, 2004, in the room where the extra-curricular records were placed. The records were subsequently destroyed when the Extra-Curricular Treasurer instructed the janitor to place all the extra-curricular financial records of the school building in the trash dumpster. The cash balance in the bank account was only sufficient to cover estimated textbook rental collections for the time period and not any other extra curricular funds that had cash balance

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CAPITAL PROJECTS FUND DISBURSEMENTS

A review of the School Corporation's expenditures from the Capital Projects Fund account number 25353 for the payment of skilled craftsmen indicated that School Corporation employees were paid \$3,174,669 and \$1,084,699 in the 2003-2004 and 2004-2005 school years, respectively. A total of 18 employees were paid from account 256353 the Fund for the year 2003-2004 and only 1 employee's job description met the requirements to be paid from account 25353 within the Fund. A total of 20 employees were paid from the Fund for the year 2004-2005 and only 1 employee's job description met the requirements to be paid from account 25353 within the fund. The qualifying employee was an electrician for both years. Other employees paid from the Fund for the two year period whose job description did not qualify them to be paid from account 25353 within the Fund were Media Technician, Network Manager, Computer Technicians, Technology Trainer, Visual Arts Teacher, Teaching Assistant, Network Technician, Business Technology Coordinator, Energy Manager, Substitute Teacher and a Data Technician.

Indiana Code 21-5-15-4(h) states:

"(h) The fund may be used to pay for services of the school corporation employees that are brick layers, stone masons, cement masons, tile setters, glaziers, insulation workers, asbestos removers, painters, paperhangers, drywall applicators and tapers, plasterers, pipe fitters, roofers, structural and steel workers, metal building assemblers, heating and air conditioning installers, welders, carpenters, electricians, or plumbers, as these occupations are defined in the United States Department of Labor, Employment and Training Administration, Dictionary of Occupational Titles, Fourth Edition, Revised 1991, if:

- (1) the employees perform construction of, renovation of, remodeling of, repair of, or maintenance on the facilities and equipment specified in subsection (b) and (c);
- (2) the school corporation's total annual salary and benefits paid by the school corporation to employees described in the subsection are at least six hundred thousand dollars (\$600,000); and
- (3) the payment of the employees described in this subsection is included as part of the proposed capital projects fund plan described in section 5(a) of this chapter.

However, the number of employees that are covered by this subsection is limited to the number of employee positions described in this subsection that existed on January 1, 1993. For purposes of this subsection, maintenance does not include janitorial or comparable routine services normally provided in the daily operation of the facilities or equipment.

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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 METROPOLITAN SCHOOL DISTRICT
OF PIKE TOWNSHIP, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of Pike Township (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, 2004 and 2005. 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, 2004 and 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

May 25, 2006

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended June 30, 2004 and 2005

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 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 195,907	\$ -
		FY 03/04	-	-
		FY 04/05	-	238,027
Total for program			<u>195,907</u>	<u>238,027</u>
National School Lunch Program				
	10.555		1,235,656	-
		FY 03/04	-	-
		FY 04/05	-	1,444,891
Total for program			<u>1,235,656</u>	<u>1,444,891</u>
Total for cluster			<u>1,431,563</u>	<u>1,682,918</u>
Total for federal grantor agency			<u>1,431,563</u>	<u>1,682,918</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant				
Public Safety Partnership and Community Policing Grants				
	16.710		39,233	-
		FY 03/04	-	-
		FY 04/05	-	29,073
Total for program			<u>39,233</u>	<u>29,073</u>
Pass-Through Indianapolis Indiana Police Department				
Gang Resistance Education and Training				
	16.737		13,463	-
		FY 03/04	-	-
		FY 04/05	-	12,041
Total for program			<u>13,463</u>	<u>12,041</u>
Total for federal grantor agency			<u>52,696</u>	<u>41,114</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Workforce Development				
Employment Services and Job Training Pilots - Demonstrations				
	17.249		50,206	-
		FY 03/04	-	-
		FY 04/05	-	77,474
Total for federal grantor agency			<u>50,206</u>	<u>77,474</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
	84.027		2,686,636	-
		FY 03/04	-	-
		FY 04/05	-	2,122,481
Total for program			<u>2,686,636</u>	<u>2,122,481</u>
Special Education - Preschool Grants				
	84.173		64,479	-
		FY 03/04	-	-
		FY 04/05	-	8,149
Total for program			<u>64,479</u>	<u>8,149</u>
Total for Cluster			<u>2,751,115</u>	<u>2,130,630</u>

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005
(Continued)

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 06-30-04	Total Federal Awards Expended 06-30-05
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass-Through Indiana Department of Education (continued)				
Title I Grants to Local Educational Agencies	84.010			
		FY 03/04	544,812	-
		FY 04/05	-	661,644
Total for program			<u>544,812</u>	<u>661,644</u>
Safe and Drug - Free Schools and Communities State Grants	84.186			
		FY 03/04	32,260	-
		FY 04/05	-	33,548
Total for program			<u>32,260</u>	<u>33,548</u>
Funds for the Improvement of Education	84.215			
		FY 03/04	11,213	-
		FY 04/05	-	106,973
Total for program			<u>11,213</u>	<u>106,973</u>
Title II Dwight D Eisenhower-Science and Math Technology	84.284			
		FY 03/04	23,705	-
		FY 04/05	-	28,828
Total for program			<u>23,705</u>	<u>28,828</u>
State Grants for Innovative Programs	84.298			
		FY 04/05	-	126,218
Education Technology State Grants	84.318			
		FY 04/05	-	16,676
English Language Acquisitions Grants	84.365			
		FY 03/04	21,477	-
		FY 04/05	-	87,050
Total for program			<u>21,477</u>	<u>87,050</u>
Improving Teacher Quality State Grants	84.367			
		FY 03/04	160,486	-
		FY 04/05	-	255,515
Total for program			<u>160,486</u>	<u>255,515</u>
Total for federal grantor agency			<u>3,545,068</u>	<u>3,447,082</u>
Total federal awards expended			<u>\$ 5,079,533</u>	<u>\$ 5,248,588</u>

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

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
 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 Metropolitan School District of Pike Township (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2004 and 2005. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2004	2005
National School Lunch Program	<u>\$ 229,122</u>	<u>\$ 178,022</u>

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? no

Federal Awards:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$309,844

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.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF PIKE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2006, with Nathaniel Jones, Superintendent of Schools; Larry Metzler, President of the School Board; Linda J. Searles, Treasurer. The officials concurred with our audit findings.