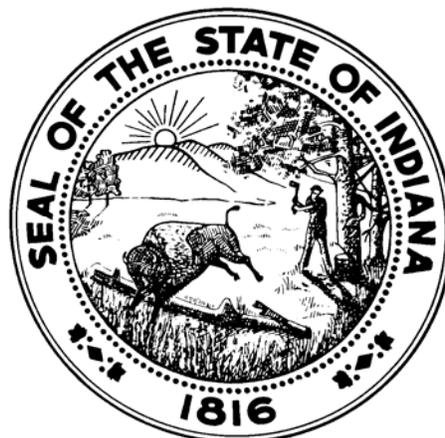


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF MOUNT VERNON
POSEY COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
03/27/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments – Fiduciary Funds	14-15
Notes to Financial Statements	16-24
Required Supplementary Information:	
Schedule of Funding Progress	25
Supplementary Information:	
Schedule of Capital Assets.....	26
Schedule of Long-Term Debt.....	27
Audit Result and Comment:	
Break-ins, Burglaries and Other Crimes	28
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	30-31
Schedule of Expenditures of Federal Awards.....	32-33
Notes to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs.....	35
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	36
Exit Conference.....	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Buchanan	07-01-04 to 12-31-07
Superintendent of Schools	C. Keith Spurgeon	07-01-04 to 06-30-07
President of the School Board	Dennis Angel Randy Boyer Lucinda Bippus Jesse Montgomery	01-01-04 to 12-31-04 01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL
DISTRICT OF MOUNT VERNON, POSEY 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 Mount Vernon (School Corporation), as of and for the years ended June 30, 2005 and 2006, 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, 2005 and 2006, 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 21, 2007, 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'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 Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. 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 21, 2007



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 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 MOUNT VERNON, POSEY COUNTY, INDIANA

We have audited the financial statements of the Metropolitan School District of Mount Vernon (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated February 21, 2007. 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.

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

February 21, 2007

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,565,929
Restricted assets:	
Cash and investments	<u>2,441,431</u>
Total assets	<u>\$ 6,007,360</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,441,431
Unrestricted	<u>3,565,929</u>
Total net assets	<u>\$ 6,007,360</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,387,881
Restricted assets:	
Cash and investments	<u>2,425,112</u>
Total assets	<u>\$ 8,812,993</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,425,112
Unrestricted	<u>6,387,881</u>
Total net assets	<u>\$ 8,812,993</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
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	\$ 10,629,708	\$ -	\$ 100,110	\$ (10,529,598)
Support services	13,897,951	872,194	300,450	(12,725,307)
Community services	234,576	-	-	(234,576)
Nonprogrammed charges	2,180,856	-	-	(2,180,856)
Debt service	<u>12,069,554</u>	<u>-</u>	<u>-</u>	<u>(12,069,554)</u>
Total governmental receipts	<u>\$ 39,012,645</u>	<u>\$ 872,194</u>	<u>\$ 400,560</u>	<u>(37,739,891)</u>
General receipts:				
Property taxes				24,840,261
Other local sources				1,624,719
State aid				3,331,092
Grants and contributions not restricted				1,890,566
Bonds and loans				5,910,000
Sale of property, adjustments, and refunds				110,967
Investment earnings				121,299
Intergovernmental transfers				<u>189,935</u>
				Total general receipts and intergovernmental transfers <u>38,018,839</u>
				Change in cash and investments 278,948
				Net assets - beginning <u>5,728,412</u>
				Net assets - ending <u>\$ 6,007,360</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 11,105,856	\$ -	\$ 79,482	\$ (11,026,374)
Support services	14,967,407	896,579	336,810	(13,734,018)
Community services	249,505	-	-	(249,505)
Nonprogrammed charges	3,861,177	-	-	(3,861,177)
Debt service	8,910,441	-	-	(8,910,441)
Total governmental receipts	\$ 39,094,386	\$ 896,579	\$ 416,292	(37,781,515)
General receipts:				
Property taxes				26,908,753
Other local sources				1,553,003
State aid				4,128,131
Grants and contributions not restricted				1,806,397
Bonds and loans				3,127,903
Sale of property, adjustments, and refunds				330,314
Investment earnings				258,961
Intergovernmental transfers				2,473,686
				<u>40,587,148</u>
				2,805,633
				<u>6,007,360</u>
				<u>\$ 8,812,993</u>

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

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

	General	Transportation Operating	Levy Excess	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 17,604,904	\$ 1,609,858	\$ 725,968	\$ 4,145,909	\$ 2,207,337	\$ 180,424	\$ 981,702	\$ 27,456,102
Intermediate sources	1,057	-	-	-	-	-	1,313	2,370
State sources	3,416,636	-	-	-	-	-	277,691	3,694,327
Federal sources	2,894	-	-	-	-	-	1,924,997	1,927,891
Bonds and loans	4,000,000	-	-	1,560,000	-	-	350,000	5,910,000
Sale of property, adjustments and refunds	32,552	21,155	-	-	12,090	-	45,170	110,967
Intergovernmental transfers	-	-	10,074	-	-	-	179,861	189,935
Total receipts	<u>25,058,043</u>	<u>1,631,013</u>	<u>736,042</u>	<u>5,705,909</u>	<u>2,219,427</u>	<u>180,424</u>	<u>3,760,734</u>	<u>39,291,592</u>
Disbursements:								
Current:								
Instruction	9,694,321	-	-	-	-	-	935,386	10,629,707
Support services	8,207,593	1,472,396	-	-	2,417,219	104,304	1,696,439	13,897,951
Community services	232,276	-	-	-	-	-	2,300	234,576
Nonprogrammed charges	1,600,083	-	-	-	-	-	580,773	2,180,856
Debt services	6,354,152	-	-	5,715,402	-	-	-	12,069,554
Total disbursements	<u>26,088,425</u>	<u>1,472,396</u>	<u>-</u>	<u>5,715,402</u>	<u>2,417,219</u>	<u>104,304</u>	<u>3,214,898</u>	<u>39,012,644</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,030,382)	158,617	736,042	(9,493)	(197,792)	76,120	545,836	278,948
Cash and investments - beginning	1,747,241	235,270	-	2,063,149	847,526	141,730	693,496	5,728,412
Cash and investments - ending	<u>\$ 716,859</u>	<u>\$ 393,887</u>	<u>\$ 736,042</u>	<u>\$ 2,053,656</u>	<u>\$ 649,734</u>	<u>\$ 217,850</u>	<u>\$ 1,239,332</u>	<u>\$ 6,007,360</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Levy Excess	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 16,874,700	\$ 1,707,440	\$ 59,560	\$ 5,254,015	\$ 3,598,126	\$ 213,350	\$ 1,904,906	\$ 29,612,097
Intermediate sources	1,057	-	-	-	-	-	4,124	5,181
State sources	4,197,861	-	-	-	-	-	240,209	4,438,070
Federal sources	-	-	-	-	-	-	1,912,749	1,912,749
Bonds and loans	2,527,903	-	-	500,000	-	-	100,000	3,127,903
Sale of property, adjustments and refunds	13,145	21,769	-	-	97	-	295,303	330,314
Intergovernmental transfers	<u>2,296,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,644</u>	<u>2,473,686</u>
Total receipts	<u>25,910,708</u>	<u>1,729,209</u>	<u>59,560</u>	<u>5,754,015</u>	<u>3,598,223</u>	<u>213,350</u>	<u>4,634,935</u>	<u>41,900,000</u>
Disbursements:								
Current:								
Instruction	10,084,414	-	-	-	-	-	1,021,422	11,105,836
Support services	8,610,236	1,466,090	-	-	2,738,889	324,734	1,827,459	14,967,408
Community services	243,148	-	-	-	-	-	6,357	249,505
Nonprogrammed charges	645,571	-	736,042	1,560,000	-	-	919,564	3,861,177
Debt services	<u>4,027,076</u>	<u>-</u>	<u>-</u>	<u>4,185,240</u>	<u>-</u>	<u>-</u>	<u>698,125</u>	<u>8,910,441</u>
Total disbursements	<u>23,610,445</u>	<u>1,466,090</u>	<u>736,042</u>	<u>5,745,240</u>	<u>2,738,889</u>	<u>324,734</u>	<u>4,472,927</u>	<u>39,094,367</u>
Excess (deficiency) of total receipts over (under) total disbursements	2,300,263	263,119	(676,482)	8,775	859,334	(111,384)	162,008	2,805,633
Cash and investments - beginning	<u>716,859</u>	<u>393,887</u>	<u>736,042</u>	<u>2,053,656</u>	<u>649,734</u>	<u>217,850</u>	<u>1,239,332</u>	<u>6,007,360</u>
Cash and investments - ending	<u>\$ 3,017,122</u>	<u>\$ 657,006</u>	<u>\$ 59,560</u>	<u>\$ 2,062,431</u>	<u>\$ 1,509,068</u>	<u>\$ 106,466</u>	<u>\$ 1,401,340</u>	<u>\$ 8,812,993</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 47,360
Sale of property, adjustments and refunds	-	500
	<u>-</u>	<u>47,860</u>
Deductions:		
Instruction	-	45,018
Support services	211,673	50,709
Nonprogrammed charges	350,000	2,850
	<u>561,673</u>	<u>98,577</u>
Deficiency of total additions under total deductions	(561,673)	(50,717)
Cash and investments - beginning	<u>1,210,003</u>	<u>271,891</u>
Cash and investments - ending	<u>\$ 648,330</u>	<u>\$ 221,174</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 23,013	\$ 33,292
Sale of property, adjustments and refunds	1,500,000	-
Transfers	<u>350,000</u>	<u>-</u>
Total additions	<u>1,873,013</u>	<u>33,292</u>
Deductions:		
Instruction	-	24,245
Support services	149,364	32,899
Nonprogrammed charges	<u>-</u>	<u>3,000</u>
Total deductions	<u>149,364</u>	<u>60,144</u>
Excess (deficiency) of total additions over (under) total deductions	1,723,649	(26,852)
Cash and investments - beginning	<u>648,330</u>	<u>221,174</u>
Cash and investments - ending	<u>\$ 2,371,979</u>	<u>\$ 194,322</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	<u>\$ 648,330</u>	<u>\$ 221,174</u>
 <u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 648,330</u>	<u>\$ 221,174</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 2,371,979	\$ 194,322
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 2,371,979	\$ 194,322

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Metropolitan School District of Mount Vernon

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

Joint Venture

The School Corporation is a participant with Evansville-Vanderburgh School Corporation, Metropolitan School District of North Posey, and New Harmony Town and Township Consolidated Schools in a joint venture to operate Special Education Programs. The School Corporation is obligated by contract to remit 60% of annual expense to supplement the Posey County Special Services Program. The Posey County Special Services Program's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Posey County Special Services Program. Complete financial statements for the Posey County Special Services Program can be obtained from the Metropolitan School District of Mount Vernon at 1000 West Fourth Street, Mount Vernon, IN 47620.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, at this time, the School Corporation does not have any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and accounts for all financial resources of the general government, 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 levy excess fund accounts for the portion of the property taxes received that exceed 100% of the School Corporation's ad valorem tax levy as certified each year by the Department of Local Government Finance.

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.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for receipts and disbursements concerning retirement/severance benefits as authorized by statute.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the School Corporation students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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.

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. All government-wide financials would be presented on the accrual basis of accounting.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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). However, at this time, the School Corporation does not have any proprietary funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Certified personnel are authorized 10 days per school year.

Noncertified custodial personnel are authorized 12 days the 1 year of employment, and 9 days per school year in each subsequent year.

Administrative secretaries are authorized 12 days the first year of employment, and 13 days per school year in each subsequent year.

Noncertified school clerical personnel are authorized 10 days the first year of employment and 9 days per school year in each subsequent year.

These days are cumulative to a total of 215 days for certified personnel, 160 days for non-certified custodial personnel, 213 days for administrative secretaries, and 180 days for non-certified school clerical personnel.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Certified personnel (teachers) do not earn vacation leave because they are contracted for less than a full year. Administrators on a 260 day contract are authorized 15 days each school year. Noncertified personnel (custodial, maintenance, and clerical) are authorized 5 days each school year after 1 year of service, 10 days after 2 years of service, 15 days after 10 years of service and 20 days after 20 years of service. Vacation leave is noncumulative except for a 5 day carryover for clerical and administrative personnel.

c. Personal Leave

Certified personnel are authorized 3 days per school year. Noncertified custodial are authorized 2 days per school year. Personal leave does not accumulate from year to year.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 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."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

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.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. At June 30, 2006, 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, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Levy Excess	General Fund	\$ -	\$ 736,042
General Fund	Levy Excess	10,075	-
Debt Service	General fund	-	1,560,000
Other governmental	Other governmental	<u>179,860</u>	<u>177,644</u>
Totals		<u>\$ 189,935</u>	<u>\$ 2,473,686</u>

The School Corporation typically uses transfers for cash flows purposes according to various statutes.

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; 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.

B. Holding Corporation

The School Corporation has entered into a capital lease with Mount Vernon High School/Junior High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during each year totaled \$4,092,000.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 26 retirees meet these eligibility requirements. The School Corporation provides a cash stipend towards the retirees' health care costs ranging from \$3,750 to \$4,400 per retiree, depending upon the retirement date of the individual. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$91,950 were recognized for postemployment benefits.

D. 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 MOUNT VERNON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 185,930
Interest on net pension obligation	(15,127)
Adjustment to annual required contribution	17,238
Annual pension cost	188,041
Contributions made	198,722
Decrease in net pension obligation	(10,681)
Net pension obligation, beginning of year	(208,649)
Net pension obligation, end of year	\$ (219,330)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 197,200	92%	\$ (185,671)
	06-30-04	166,983	114%	(208,649)
	06-30-05	188,041	119%	(219,330)

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
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.

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, 2006, 2005, and 2004, were \$216,525, \$195,937, and \$205,325, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
 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)
07-01-03	\$ 3,115,768	\$ 3,177,768	\$ (62,000)	98%	\$ 3,171,714	(2%)
07-01-04	3,186,406	3,523,581	(337,175)	90%	3,065,528	(11%)
07-01-05	3,343,660	4,164,914	(821,254)	80%	3,121,480	(26%)

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 547,521
Buildings	10,478,832
Machinery and equipment	<u>2,804,778</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 13,831,131</u>

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

The School District has entered into the following capital lease and bonds payable:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease:		
School building	\$ 8,860,000	\$ 3,705,000
Bonds payable:		
General obligation bonds:		
Taxable pension bonds	5,650,000	400,000
Total governmental activities long-term debt	\$ 14,510,000	\$ 4,105,000

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
AUDIT RESULT AND COMMENT

BREAK-INS, BURGLARIES OR OTHER CRIMES

School Officials have stated their belief that a former employee who left employment on June 30, 2003, has in his possession certain equipment belonging to the School Corporation, which may include two laptop computers, four cameras, a television, and other computer equipment. The total depreciated value of the equipment as of June 30, 2003 was \$6,500.

A similar comment was contained in the prior report.

A retirement payment of \$4,400 due the former employee from the School Corporation was withheld on July 1, 2006, in accordance with a Court Order, to recover a portion of the value of the equipment. The remaining \$2,100 of the value will be withheld on July 1, 2007, from the individual's retirement payment.

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 METROPOLITAN SCHOOL
DISTRICT OF MOUNT VERNON, POSEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of Mount Vernon (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2005 and 2006. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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, 2005 and 2006.

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

February 21, 2007

METROPOLITAN SCHOOL DISTRICT OF MT VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 49,340	\$ 52,505
National School Lunch Program	10.555		<u>269,924</u>	<u>274,358</u>
Total for Federal Grantor Agency			<u>319,264</u>	<u>326,863</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Evansville Vanderburgh School Corporation				
Special Education Cluster				
Special Education-Grants to States	84.027			
FY 03/04			1,031,060	-
FY 04/05			-	99,736
FY 05/06			<u>-</u>	<u>1,105,344</u>
Total for Program			<u>1,031,060</u>	<u>1,205,080</u>
Special Education-Preschool Grants	84.173			
FY 03/04			87,704	-
FY 04/05			-	312
FY 05/06			<u>-</u>	<u>85,986</u>
Total for Program			<u>87,704</u>	<u>86,298</u>
Total for Cluster			<u>1,118,764</u>	<u>1,291,378</u>
Pass-Through Indiana Department of Education				
Adult Education-State Grant Program	84.002			
FY 03/04		03-8009	1,284	-
FY 04/05		04	14,577	1,781
FY 05/06		05	<u>-</u>	<u>12,178</u>
Total for Program			<u>15,861</u>	<u>13,959</u>
Title I Grants to Local Educational Agencies	84.010			
FY 03/04		04-6590	67,434	-
FY 04/05		05-6590	206,641	95,540
FY 05/06		06-6590	<u>-</u>	<u>219,466</u>
Total for Program			<u>274,075</u>	<u>315,006</u>
Safe and Drug Free Schools and Communities-State Grants	84.186			
FY 03/04		03-083	4,757	1,776
FY 04/05		04-086	<u>5,405</u>	<u>3,875</u>
Total for Program			<u>10,162</u>	<u>5,651</u>

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

METROPOLITAN SCHOOL DISTRICT OF MT VERNON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs	84.298			
FY 02/03		02-260	739	-
FY 03/04		03-078	1,241	-
FY 04/05		04-081	-	7,678
FY 05/06		05-062	3,500	1,696
Total for Program			<u>5,480</u>	<u>9,374</u>
Education Technology State Grants	84.318			
FY 03/04			877	-
FY 04/05			4,171	-
FY 05/06			-	3,546
Total for Program			<u>5,048</u>	<u>3,546</u>
Improving Teacher Quality State Grants	84.367			
FY 02/03		02-054	3,975	-
FY 03/04		03-077	91,285	-
FY 04/05		04-065	69,027	55,298
FY 05/06		05-144	-	48,037
Total for Program			<u>164,287</u>	<u>103,335</u>
Total for federal grantor agency			<u>1,593,677</u>	<u>1,742,249</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Public Assistance Grants				
Winter Snow Storm	97.036		2,894	-
Total federal awards expended			<u>\$ 1,915,835</u>	<u>\$ 2,069,112</u>

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

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
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 Mount Vernon (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. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2005 and 2006:

Program Title	Federal CFDA Number	2005	2006
Special Education Cluster		\$ 463,706	\$ 448,677
Title I Grants to Local Educational Agencies	84.010	-	7,828
Safe and Drug-Free Schools and Communities- State Grants	84.186	900	800
State Grants for Innovative Programs	84.298	450	1,207
Improving Teacher Quality State Grants	84.367	-	600

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2005	2006
Child Nutrition Cluster	\$ 43,794	\$ 27,135

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
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

Special Education 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.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF MOUNT VERNON
EXIT CONFERENCE

The contents of this report were discussed on February 21, 2007, with C. Keith Spurgeon, Superintendent of Schools; Mary Buchanan, Treasurer; and Loren Evans, Director of Business and Technology. The officials concurred with our audit finding.