

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
PORTER COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**  
03/23/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly J. Hindes	07-01-09 to 06-30-12
Superintendent of Schools	George H. Letz	07-01-09 to 06-30-12
President of the School Board	Jeffery C. Barzycki	07-01-09 to 06-30-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL  
DISTRICT OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

We have audited the accompanying financial statement of the Metropolitan School District of Boone Township (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 13, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

STATE BOARD OF ACCOUNTS

March 13, 2012



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL  
DISTRICT OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

We have audited the financial statement of the Metropolitan School District of Boone Township (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

March 13, 2012

## FINANCIAL STATEMENT

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

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

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 237,258	\$ 6,359,979	\$ 6,191,853	\$ 49,336	\$ 454,720	\$ 6,633,044	\$ 6,903,793	\$ 41,717	\$ 225,688
Debt Service	840,593	5,908,245	3,944,207	-	2,804,631	3,717,909	4,090,616	(175,000)	2,256,924
Retirement/Severance Bond Debt Service	(32,341)	371,007	176,465	-	162,201	198,465	229,515	-	131,151
Capital Projects	265,036	1,584,765	915,146	-	934,655	997,576	1,244,172	41,655	729,714
School Transportation	126,317	908,299	591,160	-	443,456	654,780	696,111	20,164	422,289
School Bus Replacement	52,012	108,801	82,885	-	77,928	147,289	21,900	-	203,317
Special Education Preschool	23,769	15,431	-	(39,200)	-	-	-	-	-
Rainy Day	96,400	-	-	-	96,400	-	-	175,000	271,400
Construction	11,927	-	20,602	-	(8,675)	-	-	8,675	-
Elem/MS Renovation Project	(3,047)	-	14,316	24,568	7,205	-	2,019	4,552	9,738
School Lunch	(100,860)	460,973	390,127	4,060	(25,954)	403,857	385,976	21,060	12,987
Textbook Rental	72,541	255,269	255,546	-	72,264	242,135	183,431	-	130,968
Levy Excess	-	-	-	-	-	19,737	-	(19,737)	-
Educational License Plates	7,097	188	-	-	7,285	225	-	-	7,510
SAFE School Haven	26	-	-	-	26	-	-	-	26
Early Intervention Grant	2,000	-	-	-	2,000	-	-	-	2,000
Reading Recovery	-	-	-	-	-	39	-	-	39
BP Fabric of America Fund	-	500	459	-	41	300	-	-	341
Miscellaneous Programs (2900)	2	-	-	-	2	-	-	-	2
Target Field Trip	-	-	800	800	-	-	700	700	-
High Ability	3,629	29,828	27,280	-	6,177	29,379	28,067	-	7,489
Education Technology	(45,977)	186,377	159,532	-	(19,132)	198,999	181,247	-	(1,380)
Non-English Speaking Programs P.L. 273-1999	185	-	-	-	185	-	-	-	185
School Technology	-	-	-	-	-	2,756	-	-	2,756
Miscellaneous Programs (3900)	1,787	8,200	7,586	-	2,401	-	59	-	2,342
Title I 2007-2008	173	-	173	-	-	-	-	-	-
Title I 2008-2009	9,611	5,999	9,812	(5,798)	-	-	201	-	(201)
Title I 2009-2010	-	85,501	90,903	5,798	396	4,000	4,396	-	-
Title I 2010-2011	-	-	-	-	-	67,841	68,860	-	(1,019)
Title V 2006-2007	13	-	-	-	13	-	-	-	13
Title V 2007-2008	428	547	957	-	18	-	-	-	18
Improving Teaching Quality, No Child Left, Title II, Part A	3,193	47,845	44,524	-	6,514	28,337	33,857	(1,914)	(920)
Title III, Language Instruction	-	-	-	127	127	-	-	-	127
Fiscal Stabilization - Education Stimulus	552,068	228,954	781,022	-	-	-	-	-	-
Title I - Grants to LEAs Stimulus	-	18,061	36,015	-	(17,954)	25,346	8,231	-	(839)
Special Education - Part B Stimulus	-	59,944	64,140	-	(4,196)	36,271	40,329	-	(8,254)
<b>Totals</b>	<b>\$ 2,123,840</b>	<b>\$ 16,644,713</b>	<b>\$ 13,805,510</b>	<b>\$ 39,691</b>	<b>\$ 5,002,734</b>	<b>\$ 13,408,285</b>	<b>\$ 14,123,480</b>	<b>\$ 116,872</b>	<b>\$ 4,404,411</b>

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semi-annual distribution of local property taxes levied for such fund.

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other financing sources and uses*

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

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	Construction	Elem/MS Renovation Project
Cash and investments - beginning	\$ 237,258	\$ 840,593	\$ (32,341)	\$ 265,036	\$ 126,317	\$ 52,012	\$ 23,769	\$ 96,400	\$ 11,927	\$ (3,047)
Receipts:										
Local sources	146,753	4,497,470	270,881	1,098,153	662,990	108,801	306	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	6,213,226	-	-	-	-	-	15,125	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	1,410,775	100,126	486,612	245,309	-	-	-	-	-
Total receipts	<u>6,359,979</u>	<u>5,908,245</u>	<u>371,007</u>	<u>1,584,765</u>	<u>908,299</u>	<u>108,801</u>	<u>15,431</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	3,820,007	-	-	-	-	-	-	-	-	-
Support services	1,906,909	-	-	302,209	416,084	82,885	-	-	-	-
Noninstructional services	113,407	-	-	-	76	-	-	-	-	-
Facilities acquisition and construction	-	-	-	282,937	-	-	-	-	20,602	14,316
Debt services	-	3,944,207	176,465	330,000	175,000	-	-	-	-	-
Nonprogrammed charges	351,530	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,191,853</u>	<u>3,944,207</u>	<u>176,465</u>	<u>915,146</u>	<u>591,160</u>	<u>82,885</u>	<u>-</u>	<u>-</u>	<u>20,602</u>	<u>14,316</u>
Excess (deficiency) of receipts over disbursements	<u>168,126</u>	<u>1,964,038</u>	<u>194,542</u>	<u>669,619</u>	<u>317,139</u>	<u>25,916</u>	<u>15,431</u>	<u>-</u>	<u>(20,602)</u>	<u>(14,316)</u>
Other financing sources (uses):										
Sale of capital assets	10,136	-	-	-	-	-	-	-	-	24,568
Transfers in	39,200	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(39,200)	-	-	-
Total other financing sources (uses)	<u>49,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,200)</u>	<u>-</u>	<u>-</u>	<u>24,568</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>217,462</u>	<u>1,964,038</u>	<u>194,542</u>	<u>669,619</u>	<u>317,139</u>	<u>25,916</u>	<u>(23,769)</u>	<u>-</u>	<u>(20,602)</u>	<u>10,252</u>
Cash and investments - ending	<u>\$ 454,720</u>	<u>\$ 2,804,631</u>	<u>\$ 162,201</u>	<u>\$ 934,655</u>	<u>\$ 443,456</u>	<u>\$ 77,928</u>	<u>\$ -</u>	<u>\$ 96,400</u>	<u>\$ (8,675)</u>	<u>\$ 7,205</u>

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

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Early Intervention Grant	Reading Recovery	BP Fabric of America Fund	Miscellaneous Programs (2900)
Cash and investments - beginning	\$ (100,860)	\$ 72,541	\$ -	\$ 7,097	\$ 26	\$ 2,000	\$ -	\$ -	\$ 2
Receipts:									
Local sources	309,993	255,269	-	-	-	-	-	500	-
Intermediate sources	-	-	-	188	-	-	-	-	-
State sources	4,862	-	-	-	-	-	-	-	-
Federal sources	146,118	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Total receipts	<u>460,973</u>	<u>255,269</u>	<u>-</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	459	-
Support services	400	255,546	-	-	-	-	-	-	-
Noninstructional services	389,727	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>390,127</u>	<u>255,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>70,846</u>	<u>(277)</u>	<u>-</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>
Other financing sources (uses):									
Sale of capital assets	4,060	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>4,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>74,906</u>	<u>(277)</u>	<u>-</u>	<u>188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>
Cash and investments - ending	<u>\$ (25,954)</u>	<u>\$ 72,264</u>	<u>\$ -</u>	<u>\$ 7,285</u>	<u>\$ 26</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 2</u>

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

	Target Field Trip	High Ability	Education Technology	Non-English Speaking Programs P.L. 273-1999	School Technology	Miscellaneous Programs (3900)	Title I 2007-2008	Title I 2008-2009	Title I 2009-2010
Cash and investments - beginning	\$ -	\$ 3,629	\$ (45,977)	\$ 185	\$ -	\$ 1,787	\$ 173	\$ 9,611	\$ -
Receipts:									
Local sources	-	-	-	-	-	8,200	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	29,828	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	5,999	85,501
Temporary loans	-	-	186,377	-	-	-	-	-	-
Total receipts	-	29,828	186,377	-	-	8,200	-	5,999	85,501
Disbursements:									
Current:									
Instruction	800	27,280	-	-	-	-	-	9,812	90,403
Support services	-	-	159,532	-	-	7,586	-	-	500
Noninstructional services	-	-	-	-	-	-	173	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	800	27,280	159,532	-	-	7,586	173	9,812	90,903
Excess (deficiency) of receipts over disbursements	(800)	2,548	26,845	-	-	614	(173)	(3,813)	(5,402)
Other financing sources (uses):									
Sale of capital assets	800	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	5,798
Transfers out	-	-	-	-	-	-	-	(5,798)	-
Total other financing sources (uses)	800	-	-	-	-	-	-	(5,798)	5,798
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,548	26,845	-	-	614	(173)	(9,611)	396
Cash and investments - ending	\$ -	\$ 6,177	\$ (19,132)	\$ 185	\$ -	\$ 2,401	\$ -	\$ -	\$ 396

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

	Title I 2010-2011	Title V 2006-2007	Title V 2007-2008	Improving Teaching Quality, No Child Left Behind Title II, Part A	Title III, Language Instruction	Fiscal Stabilization - Education Stimulus	Title I - Grants to LEAs Stimulus	Special Education - Part B Stimulus	Totals
Cash and investments - beginning	\$ -	\$ 13	\$ 428	\$ 3,193	\$ -	\$ 552,068	\$ -	\$ -	\$ 2,123,840
Receipts:									
Local sources	-	-	-	-	-	-	-	-	7,359,316
Intermediate sources	-	-	-	-	-	-	-	-	188
State sources	-	-	-	-	-	-	-	-	6,263,041
Federal sources	-	-	547	47,845	-	228,954	18,061	59,944	592,969
Temporary loans	-	-	-	-	-	-	-	-	2,429,199
Total receipts	-	-	547	47,845	-	228,954	18,061	59,944	16,644,713
Disbursements:									
Current:									
Instruction	-	-	-	44,524	-	639,997	36,015	64,140	4,733,437
Support services	-	-	957	-	-	79,511	-	-	3,212,119
Noninstructional services	-	-	-	-	-	9,248	-	-	512,631
Facilities acquisition and construction	-	-	-	-	-	52,266	-	-	370,121
Debt services	-	-	-	-	-	-	-	-	4,625,672
Nonprogrammed charges	-	-	-	-	-	-	-	-	351,530
Total disbursements	-	-	957	44,524	-	781,022	36,015	64,140	13,805,510
Excess (deficiency) of receipts over disbursements	-	-	(410)	3,321	-	(552,068)	(17,954)	(4,196)	2,839,203
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	127	-	-	-	39,691
Transfers in	-	-	-	-	-	-	-	-	44,998
Transfers out	-	-	-	-	-	-	-	-	(44,998)
Total other financing sources (uses)	-	-	-	-	127	-	-	-	39,691
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(410)	3,321	127	(552,068)	(17,954)	(4,196)	2,878,894
Cash and investments - ending	\$ -	\$ 13	\$ 18	\$ 6,514	\$ 127	\$ -	\$ (17,954)	\$ (4,196)	\$ 5,002,734

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	Construction	Elem/MS Renovation Project
Cash and investments - beginning	\$ 454,720	\$ 2,804,631	\$ 162,201	\$ 934,655	\$ 443,456	\$ 77,928	\$ -	\$ 96,400	\$ (8,675)	\$ 7,205
Receipts:										
Local sources	130,584	2,665,447	126,213	625,576	435,024	147,289	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	6,501,082	52,462	-	-	23,985	-	-	-	-	-
Federal sources	1,378	-	-	-	-	-	-	-	-	-
Temporary loans	-	1,000,000	72,252	372,000	192,800	-	-	-	-	-
Other	-	-	-	-	2,971	-	-	-	-	-
Total receipts	<u>6,633,044</u>	<u>3,717,909</u>	<u>198,465</u>	<u>997,576</u>	<u>654,780</u>	<u>147,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	4,452,328	-	-	-	-	-	-	-	-	-
Support services	1,899,826	-	-	472,895	421,457	21,900	-	-	-	-
Noninstructional services	119,116	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	285,277	29,654	-	-	-	-	2,019
Debt services	-	4,090,616	229,515	486,000	245,000	-	-	-	-	-
Nonprogrammed charges	432,523	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,903,793</u>	<u>4,090,616</u>	<u>229,515</u>	<u>1,244,172</u>	<u>696,111</u>	<u>21,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,019</u>
Excess (deficiency) of receipts over disbursements	<u>(270,749)</u>	<u>(372,707)</u>	<u>(31,050)</u>	<u>(246,596)</u>	<u>(41,331)</u>	<u>125,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,019)</u>
Other financing sources (uses):										
Sale of capital assets	39,803	-	-	41,655	427	-	-	-	8,675	4,552
Transfers in	1,914	-	-	-	19,737	-	-	175,000	-	-
Transfers out	-	(175,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>41,717</u>	<u>(175,000)</u>	<u>-</u>	<u>41,655</u>	<u>20,164</u>	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>8,675</u>	<u>4,552</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(229,032)</u>	<u>(547,707)</u>	<u>(31,050)</u>	<u>(204,941)</u>	<u>(21,167)</u>	<u>125,389</u>	<u>-</u>	<u>175,000</u>	<u>8,675</u>	<u>2,533</u>
Cash and investments - ending	<u>\$ 225,688</u>	<u>\$ 2,256,924</u>	<u>\$ 131,151</u>	<u>\$ 729,714</u>	<u>\$ 422,289</u>	<u>\$ 203,317</u>	<u>\$ -</u>	<u>\$ 271,400</u>	<u>\$ -</u>	<u>\$ 9,738</u>

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

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Early Intervention Grant	Reading Recovery	BP Fabric of America Fund	Miscellaneous Programs (2900)
Cash and investments - beginning	\$ (25,954)	\$ 72,264	\$ -	\$ 7,285	\$ 26	\$ 2,000	\$ -	\$ 41	\$ 2
Receipts:									
Local sources	256,872	224,893	-	-	-	-	-	300	-
Intermediate sources	-	-	-	225	-	-	-	-	-
State sources	5,305	17,242	19,737	-	-	-	39	-	-
Federal sources	141,680	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	403,857	242,135	19,737	225	-	-	39	300	-
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	400	183,431	-	-	-	-	-	-	-
Noninstructional services	385,576	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	385,976	183,431	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	17,881	58,704	19,737	225	-	-	39	300	-
Other financing sources (uses):									
Sale of capital assets	21,060	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(19,737)	-	-	-	-	-	-
Total other financing sources (uses)	21,060	-	(19,737)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38,941	58,704	-	225	-	-	39	300	-
Cash and investments - ending	\$ 12,987	\$ 130,968	\$ -	\$ 7,510	\$ 26	\$ 2,000	\$ 39	\$ 341	\$ 2

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

	Target Field Trip	High Ability	Education Technology	Non-English Speaking Programs P.L. 273-1999	School Technology	Miscellaneous Programs (3900)	Title I 2007-2008	Title I 2008-2009	Title I 2009-2010
Cash and investments - beginning	\$ -	\$ 6,177	\$ (19,132)	\$ 185	\$ -	\$ 2,401	\$ -	\$ -	\$ 396
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	29,379	-	-	2,756	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	4,000
Temporary loans	-	-	198,999	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	29,379	198,999	-	2,756	-	-	-	4,000
Disbursements:									
Current:									
Instruction	700	28,067	-	-	-	-	-	201	4,396
Support services	-	-	181,247	-	-	59	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	700	28,067	181,247	-	-	59	-	201	4,396
Excess (deficiency) of receipts over disbursements	(700)	1,312	17,752	-	2,756	(59)	-	(201)	(396)
Other financing sources (uses):									
Sale of capital assets	700	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	700	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,312	17,752	-	2,756	(59)	-	(201)	(396)
Cash and investments - ending	\$ -	\$ 7,489	\$ (1,380)	\$ 185	\$ 2,756	\$ 2,342	\$ -	\$ (201)	\$ -

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

	Title I 2010-2011	Title V 2006-2007	Title V 2007-2008	Improving Teaching Quality, No Child Left, Title II, Part A	Title III, Language Instruction	Fiscal Stabilization - Education Stimulus	Title I - Grants to LEAs Stimulus	Special Education - Part B Stimulus	Totals
Cash and investments - beginning	\$ -	\$ 13	\$ 18	\$ 6,514	\$ 127	\$ -	\$ (17,954)	\$ (4,196)	\$ 5,002,734
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,612,198
Intermediate sources	-	-	-	-	-	-	-	-	225
State sources	-	-	-	-	-	-	-	-	6,651,987
Federal sources	67,841	-	-	28,337	-	-	25,346	36,271	304,853
Temporary loans	-	-	-	-	-	-	-	-	1,836,051
Other	-	-	-	-	-	-	-	-	2,971
Total receipts	67,841	-	-	28,337	-	-	25,346	36,271	13,408,285
Disbursements:									
Current:									
Instruction	68,360	-	-	33,857	-	-	8,231	40,329	4,636,469
Support services	500	-	-	-	-	-	-	-	3,181,715
Noninstructional services	-	-	-	-	-	-	-	-	504,692
Facilities acquisition and construction	-	-	-	-	-	-	-	-	316,950
Debt services	-	-	-	-	-	-	-	-	5,051,131
Nonprogrammed charges	-	-	-	-	-	-	-	-	432,523
Total disbursements	68,860	-	-	33,857	-	-	8,231	40,329	14,123,480
Excess (deficiency) of receipts over disbursements	(1,019)	-	-	(5,520)	-	-	17,115	(4,058)	(715,195)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	116,872
Transfers in	-	-	-	-	-	-	-	-	196,651
Transfers out	-	-	-	(1,914)	-	-	-	-	(196,651)
Total other financing sources (uses)	-	-	-	(1,914)	-	-	-	-	116,872
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,019)	-	-	(7,434)	-	-	17,115	(4,058)	(598,323)
Cash and investments - ending	\$ (1,019)	\$ 13	\$ 18	\$ (920)	\$ 127	\$ -	\$ (839)	\$ (8,254)	\$ 4,404,411

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROL OVER RECEIPTS***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting of receipts. The deficiencies in the internal control system are deemed to be a material weakness.

The Metropolitan School District of Boone Township (School Corporation) allowed the same individual to issue receipts, record receipt transactions, prepare and make deposits, reconcile the bank accounts and prepare the financial statements with limited oversight or review. By failing to properly segregate incompatible duties and overseeing that receipts were properly reported in the financial statements, the School Corporation risks that financial statements could be materially misstated or that irregularities in recordkeeping functions may not be prevented or detected.

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

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

***CREDIT CARDS AND TRAVEL EXPENSE SUPPORTING DOCUMENTATION***

Many of the travel expenses charged to the corporation credit card were paid without supporting documentation, such as receipts, invoices or other records. The School Corporation travel policy requires detailed receipts to be submitted for reimbursements; however, detailed receipts have not been required to pay travel expenses charged to the corporation credit card. Hotel reservations, not actual hotel bills, were attached to the credit card statements and no proof that the travel actually occurred was submitted. In addition, the claims for reimbursement for travel or payment of charged travel expenses were not always accompanied by a Professional Leave Form or seminar brochure detailing the purpose of the travel. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

The School Corporation credit card was also used for Christmas meals for the Transportation Department in December 2009 and 2010. The amounts disbursed for the holiday meals were \$186.43 and \$204.89, respectively.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

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

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 Indiana Public School Corporations, Chapter 9)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***ECA EDUCATIONAL AND TEXTBOOK RENTAL FEES (Applies to Hebron Middle School)***

Textbook Rental and some educational fees were being receipted to and retained in an Extra-Curricular Textbook Rental Fund. The funds were not transferred to the School Corporation on a timely and regular basis. The balance of the Middle School's Extra-Curricular Textbook Rental Fund was \$23,146.09 and \$26,861.58 at June 30, 2010 and 2011, respectively.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part:

"The treasurer shall be the official custodian of all funds of the school corporation and shall be responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

The Textbook Rental Fund, designated Fund Number 0900 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL  
DISTRICT OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

Compliance

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

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

As described in item 2011-2 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding eligibility and special tests and provisions that are applicable to its Child Nutrition Cluster programs. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to its other major federal program for the years ended June 30, 2010 and 2011.

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)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

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

STATE BOARD OF ACCOUNTS

March 13, 2012

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 18,262	\$ 21,918
National School Lunch Program	10.555		<u>144,322</u>	<u>137,961</u>
Total for federal grantor agency			<u>162,584</u>	<u>159,879</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	08-6460 09-6460 10-6460 11-6460	173 15,611 90,904 -	- 201 4,395 <u>68,859</u>
Total for program			<u>106,688</u>	<u>73,455</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-6460 11-6460	36,015 -	- <u>8,230</u>
Total for program			<u>36,015</u>	<u>8,230</u>
Total for cluster			<u>142,703</u>	<u>81,685</u>
Pass-Through Porter County Education Services Special Education Cluster (IDEA) ARRA - Special Education - Grants to States (IDEA Part B), Recovery Act	84.391		<u>64,140</u>	<u>40,329</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>781,020</u>	<u>-</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298	07-6460	<u>956</u>	<u>-</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	08-6460 09-6460 10-6460 11-6460	11,488 25,254 7,781 -	- 70 22,810 <u>12,890</u>
Total for program			<u>44,523</u>	<u>35,770</u>
Total for federal grantor agency			<u>1,033,342</u>	<u>157,784</u>
Total federal awards expended			<u>\$ 1,195,926</u>	<u>\$ 317,663</u>

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

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan School District of Boone Township (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
School Breakfast Program	10.553	\$ 2,047	\$ 2,373
National School Lunch Program	10.555	14,419	15,827

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

**Section I – Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified for the Child Nutrition Cluster and Unqualified for the State Fiscal Stabilization Fund Cluster
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  
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2011-1 - INTERNAL CONTROLS OVER RECEIPTS**

School Corporations are responsible for developing and implementing internal controls designed to prevent and detect material misstatements and irregularities in their financial records and reports. Such controls include segregating the duties of incompatible tasks and ensuring that financial transactions are properly reported.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The Metropolitan School District of Boone Township (School Corporation) allowed the same individual to issue receipts, record receipt transactions, prepare and make deposits, reconcile the bank accounts and prepare the financial statements with limited oversight or review. By failing to properly segregate incompatible duties and overseeing that receipts were properly reported in the financial statements, the School Corporation risks that financial statements could be materially misstated or that irregularities in recordkeeping functions may not be prevented or detected.

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

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

We recommended that the School Corporation implement controls over the process of cash receipts and depositing including segregation of duties among personnel.

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

***FINDING 2011-2 - ELIGIBILITY AND VERIFICATION CONTROLS AND COMPLIANCE***

Federal Agency: U.S. Department of Agriculture  
Pass-Through Entity: Indiana Department of Education  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Program Numbers: SY 2009-10, SY 2010-11

The School Corporation did not adequately document their eligibility verification procedures and results. The verification report for the 2010-2011 school year indicated that 6 applications had been verified; however, the report was not supported by those applications or any verification documents. None of the applications on file showed evidence of verification with a completed "Verification" section of the application and no applications were filed separately as verified. In addition, the Food Service Director was responsible for determining eligibility for free and reduced price lunches as well as for performing the verification procedures.

The Indiana Department of Education (IDOE) also conducted a Coordinated and Program Review of the School Corporation's National School Lunch Program in March 2011. They reported that the School Corporation was not using the proper verification procedures by completing the confirmation review. The IDOE requires that "Once applications have been approved based on income information submitted, the School Food Authority selects the required number of applications to be verified. The next phase is to confirm the application was approved correctly by someone other than the person who approved the application." They also found that the verification process was not completed on time, nor was an extension requested.

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR § 245.6a(b)(3) states:

"(c) *Verification requirement* — (1) *General*. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year."

7 CFR § 245.6a(7) states:

"(i) Written evidence shall be used as the primary source of information for verification. Written evidence includes written *confirmation* of a household's circumstances, such as wage stubs, award letters, and letters from employers . . ."

7 CFR § 210.15 states:

"(b) *Recordkeeping summary*. In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . . (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

7 CFR § 245.6a states:

"(b) *Deadline and extensions for local educational agencies* —(1) *Deadline*. The local educational agency must complete the verification efforts specified in paragraph (c) of this section not later than November 15 of each school year. (2) *Deadline extensions*. (i) The local educational agency may request an extension of the November 15 deadline, in writing, from the State agency. The State agency may approve an extension up to December 15 of the current school year due to natural disaster, civil disorder, strike or other circumstances that prevent the local educational agency from timely completion of verification activities."

The IDOE also reviewed all of the applications on file at Hebron Elementary and Middle Schools. They reported that some applications were approved incorrectly. Fifteen applications (19 of 235 students) were found to be approved in error.

7 CFR § 210.18(b)(2) states:

"(i) Performance Standard 1—Certification/Counting/Claiming—All free, reduced price and paid lunches claimed for reimbursement are served only to children eligible for free, reduced price and paid lunches, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims."

The lack of controls to determine and verify eligibility allowed applicants to receive benefits for which they were not entitled to receive. Continuing to allow such actions could jeopardize the School Corporation's ability to continue to receive federal financial assistance for its child nutrition programs.

We recommended that the School Corporation implement controls to ensure compliance for determining and verifying eligibility status for free and reduced price meals. The controls should include controls for confirming the eligibility determination calculations, for properly performing and documenting the verification procedures, and for timely performance of the verification process.

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

No matters are reportable.

Administration  
George H. Letz  
Superintendent of Schools  
Mark P. Lutze  
Principal  
Hebron High School  
Lori L. Pavell  
Principal  
Hebron Middle School  
James R. Martin  
Principal  
Hebron Elementary School

**METROPOLITAN SCHOOL DISTRICT**  
of  
**BOONE TOWNSHIP**

307 South Main Street • Hebron, IN 46341  
Phone: 219-996-4771 • Fax 219-996-5777  
Website: [www.hebronschools.k12.in.us](http://www.hebronschools.k12.in.us)

School Board  
Jeffery C. Barzycki  
President  
David J. Molchan  
Vice President  
Peter J. Blank  
Secretary  
Jerry P. Fieser, Jr.  
Member  
Donald R. Fry  
Member

Section II – Financial Statement Findings

**FINDING 2011-1, INTERNAL CONTROL OVER RECEIPTS**

Auditee Contact Person:

Corrective Action Plan

On behalf of M. S. D. of Boone Township the financial office has put in place internal controls which will provide reasonable assurances that the procedures of issuing receipts, recording receipt transactions, preparing and making deposits will be segregated to comply with Account and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9.

Signed:

  
Beverly J. Hinde, Treasurer

Date:

3-15-2012

Section III – Federal Award Findings and Questioned Costs

**FINDING 2011-03 – ELIGIBILITY AND VERIFICATION CONTROLS AND COMPLIANCE**

Federal Agency: U. S. Department of Agriculture  
Pass-Through Entity: Indiana Department of Education  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Program Numbers: SY 2009-10, SY 2010-11  
Auditee Contact Person:

Corrective Action Plan

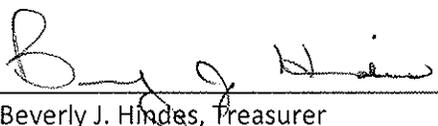
To: IDOE/State Board of Accounts  
From: Adam Young/Food Service Director Chartwells  
[Adam.Young@compass-usa.com](mailto:Adam.Young@compass-usa.com) 219-996-4185 ext.107  
Re: Food Service Corrective Action for Audit Findings  
Date: 03/15/2012

To Whom It May Concern:

Below please find the course of action as it relates to the most recent Food Service Audit 2010-2011. On behalf of the School Corporation, I would like assure you, as the newly appointed Food Service Director for the district, that I will commit to ensuring a flawless verification in the future. Please let me know if there is anything further that you would like me to do to address these violations.

1. Finding: School Corporation did not adequately document their eligibility as it pertains to the verification procedures and results. The 6 applications chosen for verification had no corresponding documentation. Verification should be completed by someone other than the person processing the original application.
2. Finding: Verification was not completed on time, and no extension was requested.
3. Response to Above Findings:
  - (a.) Director will utilize the current POS System to do a random sampling of the student base for verification in the 2011-2012 school year.
  - (b.) Director will train a Kitchen Manager on verification, and they will complete the process of verifying the applications, and sending the letters to the households. Also, a file will be kept with all of the letters sent, and a copy of the original application, with the results of the verification. Also, the random sample from the P.O.S. System will be kept with the file.
  - (c.) Verification will be completed two weeks prior to due date. The on-line form will be submitted for approval by 11/03/2012. Typically verification has a deadline through December.

Signed: \_\_\_\_\_

  
Beverly J. Hindes, Treasurer

Date: \_\_\_\_\_

3-15-2012

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP  
EXIT CONFERENCE

The contents of this report were discussed on March 13, 2012, with George H. Letz, Superintendent of Schools; Beverly J. Hinds, Treasurer; and Jeffery C. Barzycki, President of the School Board. The Officials concurred with our findings.