

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

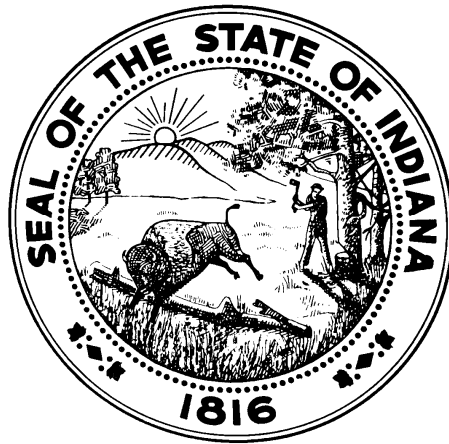
AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP

MARION COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

09/30/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	William Brown Robert Harris	07-01-05 to 06-30-07 07-01-07 to 06-30-08
Superintendent of Schools	Dr. H. Douglas Williams Dennis Nichols (Interim)	07-01-05 to 07-01-07 07-02-07 to 06-30-08
President of the School Board	Marsha Hicks Susan Adams Barbara Thompson	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



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AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Perry Township (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 June 26, 2008, 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.

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

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.

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

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

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

STATE BOARD OF ACCOUNTS

June 26, 2008



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

THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF PERRY TOWNSHIP, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Perry Township (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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, the Board of Education, 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

June 26, 2008

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 50,478,953	\$ -	\$ 642,930	\$ (49,836,023)
Support services	79,447,827	4,059,525	2,766,718	(72,621,584)
Community services	1,043,271	-	-	(1,043,271)
Nonprogrammed charges	5,626,479	-	-	(5,626,479)
Debt service	<u>23,029,504</u>	<u>-</u>	<u>-</u>	<u>(23,029,504)</u>
Total governmental activities	<u>\$ 159,626,034</u>	<u>\$ 4,059,525</u>	<u>\$ 3,409,648</u>	<u>(152,156,861)</u>
General receipts:				
Property taxes				53,638,961
Other local sources				19,455,521
State aid				46,095,432
Bonds and loans				1,969,304
Grants and contributions not restricted to specific programs				23,123,914
Sale of property, adjustments, and refunds				481,273
Investment earnings				<u>870,005</u>
Total general receipts				<u>145,634,410</u>
Change in net assets				(6,522,451)
Net assets - beginning				<u>23,990,952</u>
Net assets - ending				<u>\$ 17,468,501</u>
<u>Assets</u>				
Cash and investments				\$ 14,621,092
Restricted assets:				
Cash and investments				<u>2,847,409</u>
Total assets				<u>\$ 17,468,501</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,482,904
Other purposes				364,505
Unrestricted				<u>14,621,092</u>
Total net assets				<u>\$ 17,468,501</u>

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 53,579,184	\$ -	\$ 604,118	\$ (52,975,066)
Support services	75,855,204	4,083,322	3,024,269	(68,747,613)
Community services	1,056,068	-	-	(1,056,068)
Nonprogrammed charges	5,365,387	-	-	(5,365,387)
Debt service	<u>19,481,130</u>	<u>-</u>	<u>-</u>	<u>(19,481,130)</u>
Total governmental activities	<u>\$ 155,336,973</u>	<u>\$ 4,083,322</u>	<u>\$ 3,628,387</u>	<u>(147,625,264)</u>
General receipts:				
Property taxes				37,374,315
Other local sources				20,522,137
State aid				47,814,086
Bonds and loans				17,500,000
Grants and contributions not restricted to specific programs				21,926,350
Sale of property, adjustments, and refunds				795,200
Investment earnings				<u>1,084,919</u>
Total general receipts				<u>147,017,007</u>
Change in net assets				(608,257)
Net assets - beginning				<u>17,468,501</u>
Net assets - ending				<u>\$ 16,860,244</u>
<u>Assets</u>				
Cash and investments				\$ 16,874,571
Restricted assets:				
Cash and investments				<u>(14,327)</u>
Total assets				<u>\$ 16,860,244</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ (657,607)
Other purposes				643,280
Unrestricted				<u>16,874,571</u>
Total net assets				<u>\$ 16,860,244</u>

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	6th Grade PMMS	Other	Totals
Receipts:									
Local sources	\$ 27,502,328	\$ 5,151,853	\$ -	\$ 15,654,563	\$ 10,564,244	\$ 1,451,890	\$ 321,208	\$ 17,377,923	\$ 78,024,009
State sources	56,466,898	2,236,874	-	-	-	-	-	1,131,426	59,835,198
Federal sources	-	-	-	-	-	-	-	12,793,796	12,793,796
Loans	1,969,304	-	-	-	-	-	-	-	1,969,304
Sale of property, adjustments and refunds	248,402	854	-	-	-	-	-	232,017	481,273
Total receipts	86,186,932	7,389,581	-	15,654,563	10,564,244	1,451,890	321,208	31,535,162	153,103,580
Disbursements:									
Current:									
Instruction	39,479,526	-	-	-	-	-	-	10,999,427	50,478,953
Support services	39,014,663	8,302,239	-	-	11,922,826	1,391,607	878,906	17,937,586	79,447,827
Community services	811,046	-	-	-	-	-	-	232,225	1,043,271
Nonprogrammed charges	5,490,597	-	-	-	-	-	-	387	5,490,984
Debt services	5,609,342	-	-	15,241,998	-	-	-	2,178,164	23,029,504
Total disbursements	90,405,174	8,302,239	-	15,241,998	11,922,826	1,391,607	878,906	31,347,789	159,490,539
Excess (deficiency) of receipts over disbursements	(4,218,242)	(912,658)	-	412,565	(1,358,582)	60,283	(557,698)	187,373	(6,386,959)
Other financing sources (uses):									
Transfers in	660,000	174,149	-	-	-	-	-	500,777	1,334,926
Transfers out	(225,000)	(110,000)	-	(379,570)	(25,000)	-	-	(1,095,356)	(1,834,926)
Total other financing sources (uses)	435,000	64,149	-	(379,570)	(25,000)	-	-	(594,579)	(500,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,783,242)	(848,509)	-	32,995	(1,383,582)	60,283	(557,698)	(407,206)	(6,886,959)
Cash and investments - beginning	7,272,063	1,419,312	3,791,712	2,508,353	5,172,423	(454,507)	2,879,421	1,402,178	23,990,955
Cash and investments - ending	\$ 3,488,821	\$ 570,803	\$ 3,791,712	\$ 2,541,348	\$ 3,788,841	\$ (394,224)	\$ 2,321,723	\$ 994,972	17,103,996
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									364,505
Net assets of governmental activities									<u>\$ 17,468,501</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ 3,488,821	\$ 570,803	\$ 3,791,712	\$ -	\$ 3,788,841	\$ (394,224)	\$ 2,321,723	\$ 1,053,416	\$ 14,621,092
Restricted assets:									
Cash and investments	-	-	-	2,541,348	-	-	-	(58,444)	2,482,904
Total cash and investment assets - ending	\$ 3,488,821	\$ 570,803	\$ 3,791,712	\$ 2,541,348	\$ 3,788,841	\$ (394,224)	\$ 2,321,723	\$ 994,972	\$ 17,103,996
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 2,541,348	\$ -	\$ -	\$ -	\$ (58,444)	\$ 2,482,904
Unrestricted	3,488,821	570,803	3,791,712	-	3,788,841	(394,224)	2,321,723	1,053,416	14,621,092
Total cash and investment fund balance - ending	\$ 3,488,821	\$ 570,803	\$ 3,791,712	\$ 2,541,348	\$ 3,788,841	\$ (394,224)	\$ 2,321,723	\$ 994,972	\$ 17,103,996

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	6th Grade PMMS	Other	Totals
Receipts:									
Local sources	\$ 20,227,525	\$ 6,298,483	\$ -	\$ 9,425,322	\$ 8,342,382	\$ 938,558	\$ 138,264	\$ 17,694,162	\$ 63,064,696
State sources	57,503,372	2,799,736	-	-	-	-	-	1,128,757	61,431,865
Federal sources	-	-	-	-	-	-	-	11,936,956	11,936,956
Loans	13,000,000	-	-	3,700,000	-	800,000	-	-	17,500,000
Sale of property, adjustments and refunds	373,029	2,280	-	-	-	-	-	330,530	705,839
Total receipts	91,103,926	9,100,499	-	13,125,322	8,342,382	1,738,558	138,264	31,090,405	154,639,356
Disbursements:									
Current:									
Instruction	42,140,551	-	-	-	-	-	-	11,438,633	53,579,184
Support services	38,982,016	8,074,856	-	-	10,188,177	1,324,054	298,210	16,987,891	75,855,204
Community services	820,104	-	-	-	-	-	-	235,964	1,056,068
Nonprogrammed charges	4,885,581	-	-	-	-	-	169,221	-	5,054,802
Debt services	1,969,304	-	-	15,334,211	-	-	-	2,177,615	19,481,130
Total disbursements	88,797,556	8,074,856	-	15,334,211	10,188,177	1,324,054	467,431	30,840,103	155,026,388
Excess (deficiency) of receipts over disbursements	2,306,370	1,025,643	-	(2,208,889)	(1,845,795)	414,504	(329,167)	250,302	(387,032)
Other financing sources (uses):									
Transfers in	445,281	-	-	-	-	-	-	129,595	574,876
Transfers out	(225,000)	(110,000)	-	-	(25,000)	-	-	(714,876)	(1,074,876)
Total other financing sources (uses)	220,281	(110,000)	-	-	(25,000)	-	-	(585,281)	(500,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,526,651	915,643	-	(2,208,889)	(1,870,795)	414,504	(329,167)	(334,979)	(887,032)
Cash and investments - beginning	3,488,821	570,803	3,791,712	2,541,348	3,788,841	(394,224)	2,321,723	994,972	17,103,996
Cash and investments - ending	\$ 6,015,472	\$ 1,486,446	\$ 3,791,712	\$ 332,459	\$ 1,918,046	\$ 20,280	\$ 1,992,556	\$ 659,993	16,216,964
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									643,280
Net assets of governmental activities									<u>\$ 16,860,244</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ 6,015,472	\$ 1,486,446	\$ 3,791,712	\$ -	\$ 1,918,046	\$ 20,280	\$ 1,992,556	\$ 1,650,059	\$ 16,874,571
Restricted assets:									
Cash and investments	-	-	-	332,459	-	-	-	(990,066)	(657,607)
Total cash and investment assets - ending	\$ 6,015,472	\$ 1,486,446	\$ 3,791,712	\$ 332,459	\$ 1,918,046	\$ 20,280	\$ 1,992,556	\$ 659,993	\$ 16,216,964
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 332,459	\$ -	\$ -	\$ -	\$ (990,066)	\$ (657,607)
Unrestricted	6,015,472	1,486,446	3,791,712	-	1,918,046	20,280	1,992,556	1,650,059	16,874,571
Total cash and investment fund balance - ending	\$ 6,015,472	\$ 1,486,446	\$ 3,791,712	\$ 332,459	\$ 1,918,046	\$ 20,280	\$ 1,992,556	\$ 659,993	\$ 16,216,964

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUND
 For the Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Operating disbursements:	
Insurance claims and expense	\$ 135,495
Deficiency of operating receipts over operating disbursements	(135,495)
Transfers in	<u>500,000</u>
Change in net assets	364,505
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 364,505</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 364,505</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 364,505</u>
Total cash and investment fund balance - ending	<u>\$ 364,505</u>

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUND
 For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 89,360
Operating disbursements:	
Insurance claims and expense	<u>310,585</u>
Deficiency of operating receipts over operating disbursements	(221,225)
Transfers in	<u>500,000</u>
Change in net assets	278,775
Cash and investment fund balance - beginning	<u>364,505</u>
Cash and investment fund balance - ending	<u>\$ 643,280</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 643,280</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 643,280</u>
Total cash and investment fund balance - ending	<u>\$ 643,280</u>

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 124,620	
Investment earnings:			
Interest	228,925	-	
Total additions	228,925	124,620	
Deductions:			
Benefits	642,815	-	
Administrative and general	-	1,170,733	
Total deductions	642,815	1,170,733	
Deficiency of total additions over total deductions	(413,890)	(1,046,113)	
Cash and investment fund balance - beginning	5,701,129	2,380,185	
Cash and investment fund balance - ending	\$ 5,287,239	\$ 1,334,072	
Net assets:			
Cash and investments	\$ 5,287,239	\$ 1,334,072	\$ 786,258
Total net assets - cash and investment basis held in trust	\$ 5,287,239	\$ 1,334,072	\$ 786,258

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ 1,154,426	\$ 157,200	
Investment earnings:			
Interest	578,315	-	
Total additions	1,732,741	157,200	
Deductions:			
Benefits	1,728,783	-	
Administrative and general	-	326,830	
Total deductions	1,728,783	326,830	
Excess (deficiency) of total additions over total deductions	3,958	(169,630)	
Cash and investment fund balance - beginning	5,287,239	1,334,072	
Cash and investment fund balance - ending	\$ 5,291,197	\$ 1,164,442	
Net assets:			
Cash and investments	\$ 5,291,197	\$ 1,164,442	\$ 787,324
Total net assets - cash and investment basis held in trust	\$ 5,291,197	\$ 1,164,442	\$ 787,324

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Metropolitan School District of Perry Township

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 and administers a joint venture with School City of Beech Grove, Franklin Township Community School Corporation, and Metropolitan School District (MSD) of Decatur Township to operate the Relating Individualism to Special Education (RISE) Learning Center which was created to provide special education for handicapped children. The School Corporation is obligated by contract to remit funding based upon participation levels annually to supplement the RISE Learning Center. Because the School Corporation administers the joint venture, the financial activity of the RISE Learning Center is included in the financial statements of the School Corporation. Payments from participating school corporations are recorded as receipts from other sources and for the year ended June 30, 2007, totaled \$12,229,480.

The School Corporation is a participant with Avon Community School Corporation, School City of Beech Grove, Carmel Clay Schools, Center Grove Community School Corporation, Clark Pleasant Community School Corporation, Franklin Township Community School Corporation, Hamilton Southeastern School Corporation, Indianapolis Public Schools, Lebanon Community School Corporation, MSD of Decatur Township, MSD of Lawrence Township, MSD of Pike Township, MSD of Washington Township, MSD of Wayne Township, School Town of Speedway, Westfield Washington Community School Corporation, and Zionsville Community School Corporation, in a joint venture to operate the Central Indiana Educational Service Center (CIESC) which was created to provide certain programs and services for participating school corporations. The CIESC's continued existence depends on continued funding by the participating school corporations. To participate in the CIESC, each school corporation is billed an amount based upon their student population. Complete financial statements for the CIESC can be obtained from their offices at 6321 LaPas Trail, Indianapolis, Indiana.

The School Corporation is a participant with School City of Beech Grove, Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Edinburgh Community School Corporation, Franklin Community School Corporation, Franklin Township Community School Corporation, Greenwood Community School Corporation, and Nineveh-Hensley-Jackson

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

United School Corporation in a joint venture to operate Central Nine Area Vocational School (Central Nine) which was created to administer vocational educational programs. The School Corporation is obligated by contract to remit funding based upon participation levels annually to supplement the Central Nine. Complete financial statements for the Central Nine can be obtained from their offices at 1999 U.S. Highway 31, Greenwood, Indiana.

The School Corporation is a participant with Franklin Township Community School Corporation, Hamilton Southeastern School Corporation, MSD of Lawrence Township, MSD of Pike Township, MSD of Warren Township, MSD of Washington Township, and MSD of Wayne Township in a joint venture to operate the Metro Energy Gas Association (MEGA), which was created for the procurement of natural gas. The School Corporation is obligated by contract to remit administrative expenses for any fiscal year and any consultant fees that are apportioned equally among the participating school corporations. Costs for any purchases of natural gas made will be apportioned based on the actual usage of natural gas determined through a metering process if at all possible and otherwise as determined by an approved consultant. The School Corporation is also obligated to pay any costs and expenses incurred which are determined by the Administrative Agent and sent in a monthly invoice. Complete financial statements for MEGA can be obtained from the MSD of Wayne Township, 1220 S. High School Road, Indianapolis, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund accounts for resources to be held for future use. It is funded solely by cash transfers from other governmental funds.

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

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.

The 6th grade PMMS fund is used to account for receipts and disbursements concerning renovations to Perry Meridian Middle School.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for workers' compensation liability provided to other funds from which payroll disbursements are paid.

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

The private-purpose trust funds report trust arrangements under which principal and income benefit the School Corporation or the students enrolled.

Agency funds account for assets held by the School Corporation as an agent for individuals, private organizations and other governments and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 10 days per year based upon classification. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon termination if the employee has 10 years of service and is at least 55 years old.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Administrators may accumulate vacation leave indefinitely to a maximum of 35 days. Accumulated vacation leave is not paid to employees.

c. Personal Leave

School Corporation employees earn personal leave of either 1 or 3 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Days in excess of 3 are converted to sick leave each July 1. Accumulated personal leave is not paid to employees.

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

2. Capital Assets

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

3. Long-Term Debt

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

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity 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 Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following 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

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

Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
General	<u>\$ 722,145</u>

C. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
School Bus Replacement	\$ (394,224)	\$ -
Pension Debt	-	(990,066)
School Lunch	(319,960)	(397,937)
Textbook Rental	(579,268)	-
RISE Transportation	(234,292)	-

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had no investments or a formal investment policy

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Internal Service Fund	\$ 225,000	\$ 225,000
Debt Service Fund	Transportation Operating Fund	174,149	-
Debt Service Fund	Other governmental funds	205,421	-
Capital Projects Fund	Internal Service Fund	25,000	25,000
Transportation Operating Fund	Internal Service Fund	110,000	110,000
Other governmental funds	General Fund	660,000	445,281
Other governmental funds	Other governmental funds	295,356	129,595
Other governmental funds	Internal Service Fund	140,000	140,000
Totals		<u>\$ 1,834,926</u>	<u>\$ 1,074,876</u>

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

C. Restatements and Reclassifications

For the year ended June 30, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30, 2005	Fund Reclassification	Balance as Restated July 1, 2005
Governmental Funds	\$ 26,371,140	\$ (2,380,185)	\$ 23,990,955
Private-Purpose Trust	-	2,380,185	2,380,185

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

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

Job Related Illnesses or Injuries to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the Workman's Compensation Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Medical Benefits to Employees

During 1993-1994, the School Corporation joined with other governmental entities to form the Hoosier Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for several member governmental entities. This risk pool was formed in 1992. The purpose of the risk pool is to provide a medium for the funding and administration of employee medical benefits. The School Corporation pays an annual premium to the risk pool for its employee medical benefits coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$250,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$250,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with the Perry Township Multi-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 the year totaled \$14,886,298.

C. Subsequent Events

As part of an agreement (Agreement) entered into on July 18, 2007, between Superintendent Dr. H. Douglas Williams and the Board of Education of the Metropolitan School District of Perry Township (Board), Dr. Williams submitted his resignation as Superintendent effective July 1, 2007. The Agreement states that in exchange for the resignation and the Superintendent's release of all existing claims relating to his employment and resignation, the Board agrees to pay Dr. Williams:

- a. \$372,672 in a lump sum by check no later than August 6, 2007;
- b. \$9,734 contributed as employer-paid, nonelective contributions to Dr. Williams' Section 457 Plan maintained by the School Corporation no later than August 6, 2007;
- c. \$42,594 contributed as employer-paid, nonelective contributions to Dr. Williams' Section 403(b) Plan maintained by the School Corporation no later than August 6, 2007;
- d. \$45,000 contributed as employer-paid, nonelective contributions to Dr. Williams' Section 403(b) Plan maintained by the School Corporation no later than January 15, 2008 and;

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

- e. The group term life insurance and health insurance to be provided at retirement as described in an addendum to Dr. Williams' employment contract in effect at the time of the Agreement, and Dr. Williams shall have the option to stay on the School Corporation's dental and long term care insurance offered by the School Corporation at his expense, indefinitely.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to certified personnel (Group 1) and support staff (Group 2) who retire from the School Corporation on or after attaining age 55. Eligible Group 1 employees must have at least 15 years of service with any school corporation, 10 of which must have been with the Metropolitan School District (MSD) of Perry Township. Eligible Group 2 employees must have at least 10 years of service with the MSD of Perry Township. Currently, 142 retirees meet the eligibility requirements for health benefits and 159 retirees meet the eligibility requirements for life insurance benefits. For Group 1, the School Corporation and retirees provide 85% and 15%, respectively, of these health and life insurance benefits. For Group 2, the School Corporation contributes \$1,000 to a health plan and 85% toward the yearly life insurance premium. The retiree is responsible for the remaining 15% of the annual life insurance premium. Group 2 postemployment benefits cease when the retiree becomes 65 or eligible for Medicare. During the year ended June 30, 2007, disbursements of \$1,029,410 were recognized for postemployment benefits.

E. 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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 1,266,268
Interest on net pension obligation	(104,412)
Adjustment to annual required contribution	118,986
Annual pension cost	1,280,842
Contributions made	1,313,138
Decrease in net pension obligation	(32,296)
Net pension obligation, beginning of year	(1,440,170)
Net pension obligation, end of year	\$ (1,472,466)
Contribution rates:	
School Corporation	6.25%
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%

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 805,572	141%	\$ (1,148,038)
	06-30-05	980,000	130%	(1,440,170)
	06-30-06	1,280,842	103%	(1,472,466)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$2,221,107, \$2,045,570, and \$1,817,041, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 15,271,170	\$ 16,595,987	\$ (1,324,817)	92%	\$ 16,995,162	(8%)
07-01-05	16,284,926	19,387,541	(3,102,615)	84%	19,244,797	(16%)
07-01-06	17,392,985	20,616,701	(3,223,716)	84%	20,584,316	(16%)

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Pre-School Special Education	School Lunch	Textbook Rental	RISE	RISE Transportation	Alternative Education
Receipts:						
Local sources	\$ 93,405	\$ 3,021,024	\$ 1,038,501	\$ 8,696,386	\$ 2,312,389	\$ -
State sources	348,349	74,120	-	269,618	113,469	44,635
Federal sources	-	2,692,598	-	-	-	-
Sale of property, adjustments and refunds	-	3,088	-	-	-	-
Total receipts	441,754	5,790,830	1,038,501	8,966,004	2,425,858	44,635
Disbursements:						
Current:						
Instruction	-	-	-	5,060,667	-	65,913
Support services	-	6,002,968	1,557,991	3,919,591	2,488,825	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	6,002,968	1,557,991	8,980,258	2,488,825	65,913
Excess (deficiency) of receipts over disbursements	441,754	(212,138)	(519,490)	(14,254)	(62,967)	(21,278)
Other financing sources (uses):						
Transfers in	-	-	205,421	-	-	-
Transfers out	(660,000)	(60,000)	-	(25,000)	(55,000)	-
Total other financing sources (uses)	(660,000)	(60,000)	205,421	(25,000)	(55,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(218,246)	(272,138)	(314,069)	(39,254)	(117,967)	(21,278)
Cash and investments - beginning	456,960	(47,822)	(265,199)	353,778	(116,325)	20,785
Cash and investments - ending	\$ 238,714	\$ (319,960)	\$ (579,268)	\$ 314,524	\$ (234,292)	\$ (493)
Cash and Investment Assets - Ending						
Cash and investments	\$ 238,714	\$ (319,960)	\$ (579,268)	\$ 314,524	\$ (234,292)	\$ (493)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 238,714	\$ (319,960)	\$ (579,268)	\$ 314,524	\$ (234,292)	\$ (493)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	238,714	(319,960)	(579,268)	314,524	(234,292)	(493)
Total cash and investment fund balance - ending	\$ 238,714	\$ (319,960)	\$ (579,268)	\$ 314,524	\$ (234,292)	\$ (493)

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Safe Haven	Reading Recovery	Tech Assistance	Lumina Southport HS	ASAI Lumina PMHS	ASAI Lumina Southport HS
Receipts:						
Local sources	\$ -	\$ 3,000	\$ -	\$ -	\$ 10,250	\$ 8,832
State sources	13,232	24,500	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>13,232</u>	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>10,250</u>	<u>8,832</u>
Disbursements:						
Current:						
Instruction	-	93,268	5,495	-	-	-
Support services	(37,721)	-	-	34,542	4,742	8,108
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>(37,721)</u>	<u>93,268</u>	<u>5,495</u>	<u>34,542</u>	<u>4,742</u>	<u>8,108</u>
Excess (deficiency) of receipts over disbursements	<u>50,953</u>	<u>(65,768)</u>	<u>(5,495)</u>	<u>(34,542)</u>	<u>5,508</u>	<u>724</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<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>50,953</u>	<u>(65,768)</u>	<u>(5,495)</u>	<u>(34,542)</u>	<u>5,508</u>	<u>724</u>
Cash and investments - beginning	<u>(50,953)</u>	<u>93,545</u>	<u>5,495</u>	<u>44,189</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 27,777</u>	<u>\$ -</u>	<u>\$ 9,647</u>	<u>\$ 5,508</u>	<u>\$ 724</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 27,777	\$ -	\$ 9,647	\$ 5,508	\$ 724
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 27,777</u>	<u>\$ -</u>	<u>\$ 9,647</u>	<u>\$ 5,508</u>	<u>\$ 724</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	27,777	-	9,647	5,508	724
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 27,777</u>	<u>\$ -</u>	<u>\$ 9,647</u>	<u>\$ 5,508</u>	<u>\$ 724</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Gifted and Talented	Non-English Speaking	Technology	School Improvement	School Improvement 2005-2006	Chinese Teacher Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	35,478	8,982	-	-	147,226	26,600
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	228,629	300	-	-
Total receipts	35,478	8,982	228,629	300	147,226	26,600
Disbursements:						
Current:						
Instruction	25,725	-	-	-	-	-
Support services	-	15,878	242,101	-	133,213	734
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	25,725	15,878	242,101	-	133,213	734
Excess (deficiency) of receipts over disbursements	9,753	(6,896)	(13,472)	300	14,013	25,866
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,753	(6,896)	(13,472)	300	14,013	25,866
Cash and investments - beginning	-	17,859	194,065	(300)	88,236	734
Cash and investments - ending	<u>\$ 9,753</u>	<u>\$ 10,963</u>	<u>\$ 180,593</u>	<u>\$ -</u>	<u>\$ 102,249</u>	<u>\$ 26,600</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 9,753	\$ 10,963	\$ 180,593	\$ -	\$ 102,249	\$ 26,600
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 9,753</u>	<u>\$ 10,963</u>	<u>\$ 180,593</u>	<u>\$ -</u>	<u>\$ 102,249</u>	<u>\$ 26,600</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,753	10,963	180,593	-	102,249	26,600
Total cash and investment fund balance - ending	<u>\$ 9,753</u>	<u>\$ 10,963</u>	<u>\$ 180,593</u>	<u>\$ -</u>	<u>\$ 102,249</u>	<u>\$ 26,600</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I 2005-06	Title I 2004-05	Title I School Improvement	Title I	Title V	Learn and Serve America
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 19,171	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	1,000	-	172,752	1,697,943	35,532	13,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	1,000	-	172,752	1,717,114	35,532	13,000
Disbursements:						
Current:						
Instruction	-	149,045	260,039	1,189,018	-	-
Support services	-	121,445	11,068	364,561	66,680	10,762
Community services	361	1,600	7,207	18,541	-	-
Nonprogrammed charges	-	-	387	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	361	272,090	278,701	1,572,120	66,680	10,762
Excess (deficiency) of receipts over disbursements	639	(272,090)	(105,949)	144,994	(31,148)	2,238
Other financing sources (uses):						
Transfers in	-	-	-	179,462	-	-
Transfers out	-	(179,462)	-	-	-	-
Total other financing sources (uses)	-	(179,462)	-	179,462	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	639	(451,552)	(105,949)	324,456	(31,148)	2,238
Cash and investments - beginning	-	451,552	105,949	-	17,931	5,693
Cash and investments - ending	\$ 639	\$ -	\$ -	\$ 324,456	\$ (13,217)	\$ 7,931
Cash and Investment Assets - Ending						
Cash and investments	\$ 639	\$ -	\$ -	\$ 324,456	\$ (13,217)	\$ 7,931
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 639	\$ -	\$ -	\$ 324,456	\$ (13,217)	\$ 7,931
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	639	-	-	324,456	(13,217)	7,931
Total cash and investment fund balance - ending	\$ 639	\$ -	\$ -	\$ 324,456	\$ (13,217)	\$ 7,931

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	IDEA Sliver	IDEA Part B Target	IDEA Special Ed Part B	Pre-School Handicapped	Summer School Coalition
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	76,063	85,000	7,033,282	339,369	61,653
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	76,063	85,000	7,033,282	339,369	61,653
Disbursements:					
Current:					
Instruction	8,867	43,492	3,988,082	75,656	-
Support services	9,697	41,508	2,131,761	166,623	6,892
Community services	-	-	-	-	105,386
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	18,564	85,000	6,119,843	242,279	112,278
Excess (deficiency) of receipts over disbursements	57,499	-	913,439	97,090	(50,625)
Other financing sources (uses):					
Transfers in	-	-	-	-	115,894
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	115,894
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	57,499	-	913,439	97,090	65,269
Cash and investments - beginning	(6,881)	-	(475,071)	(135,121)	(37,460)
Cash and investments - ending	50,618	-	438,368	(38,031)	27,809
Cash and Investment Assets - Ending					
Cash and investments	\$ 50,618	\$ -	\$ 438,368	\$ (38,031)	\$ 27,809
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	50,618	-	438,368	(38,031)	27,809
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	50,618	-	438,368	(38,031)	27,809
Total cash and investment fund balance - ending	50,618	-	438,368	(38,031)	27,809

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Rock/ Boyz to Men	Pep Respect Grant	Safe and Drug Free School 2005-06	Safe and Drug Free School	Drug/Violence Prevention
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	87,651	5,395	-	66,872	29,015
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>87,651</u>	<u>5,395</u>	<u>-</u>	<u>66,872</u>	<u>29,015</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	-
Support services	9,241	-	4,467	50,792	8,285
Community services	99,130	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>108,371</u>	<u>-</u>	<u>4,467</u>	<u>50,792</u>	<u>8,285</u>
Excess (deficiency) of receipts over disbursements	<u>(20,720)</u>	<u>5,395</u>	<u>(4,467)</u>	<u>16,080</u>	<u>20,730</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(115,894)	-	-	-	-
Total other financing sources (uses)	<u>(115,894)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(136,614)	5,395	(4,467)	16,080	20,730
Cash and investments - beginning	<u>240,685</u>	<u>(5,395)</u>	<u>4,467</u>	<u>-</u>	<u>(20,730)</u>
Cash and investments - ending	<u>\$ 104,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,080</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 104,071	\$ -	\$ -	\$ 16,080	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 104,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,080</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	104,071	-	-	16,080	-
Total cash and investment fund balance - ending	<u>\$ 104,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,080</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Tech Prep PMHS	Citigroup Grant	Class Size Reduction	Enhance Technology	Limited English
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	25,217	-	-	-	-
Federal sources	-	-	250,000	44,197	102,474
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>25,217</u>	<u>-</u>	<u>250,000</u>	<u>44,197</u>	<u>102,474</u>
Disbursements:					
Current:					
Instruction	-	-	34,160	-	-
Support services	31,628	4,417	17,313	15,225	62,982
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>31,628</u>	<u>4,417</u>	<u>51,473</u>	<u>15,225</u>	<u>62,982</u>
Excess (deficiency) of receipts over disbursements	<u>(6,411)</u>	<u>(4,417)</u>	<u>198,527</u>	<u>28,972</u>	<u>39,492</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<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>(6,411)</u>	<u>(4,417)</u>	<u>198,527</u>	<u>28,972</u>	<u>39,492</u>
Cash and investments - beginning	<u>-</u>	<u>5,348</u>	<u>(98,711)</u>	<u>7,416</u>	<u>6,386</u>
Cash and investments - ending	<u><u>\$ (6,411)</u></u>	<u><u>\$ 931</u></u>	<u><u>\$ 99,816</u></u>	<u><u>\$ 36,388</u></u>	<u><u>\$ 45,878</u></u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ (6,411)	\$ 931	\$ 99,816	\$ 36,388	\$ 45,878
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u><u>\$ (6,411)</u></u>	<u><u>\$ 931</u></u>	<u><u>\$ 99,816</u></u>	<u><u>\$ 36,388</u></u>	<u><u>\$ 45,878</u></u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(6,411)</u>	<u>931</u>	<u>99,816</u>	<u>36,388</u>	<u>45,878</u>
Total cash and investment fund balance - ending	<u><u>\$ (6,411)</u></u>	<u><u>\$ 931</u></u>	<u><u>\$ 99,816</u></u>	<u><u>\$ 36,388</u></u>	<u><u>\$ 45,878</u></u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Pension Debt	PMHS Construction	RISE Construction	Repair and Replacement	Totals
Receipts:					
Local sources	\$ 2,165,865	\$ 9,100	\$ -	\$ -	\$ 17,377,923
State sources	-	-	-	-	1,131,426
Federal sources	-	-	-	-	12,793,796
Sale of property, adjustments and refunds	-	-	-	-	232,017
Total receipts	2,165,865	9,100	-	-	31,535,162
Disbursements:					
Current:					
Instruction	-	-	-	-	10,999,427
Support services	-	175,257	214,647	41,363	17,937,586
Community services	-	-	-	-	232,225
Nonprogrammed charges	-	-	-	-	387
Debt services	2,178,164	-	-	-	2,178,164
Total disbursements	2,178,164	175,257	214,647	41,363	31,347,789
Excess (deficiency) of receipts over disbursements	(12,299)	(166,157)	(214,647)	(41,363)	187,373
Other financing sources (uses):					
Transfers in	-	-	-	-	500,777
Transfers out	-	-	-	-	(1,095,356)
Total other financing sources (uses)	-	-	-	-	(594,579)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,299)	(166,157)	(214,647)	(41,363)	(407,206)
Cash and investments - beginning	(46,145)	175,276	214,647	197,295	1,402,178
Cash and investments - ending	<u>\$ (58,444)</u>	<u>\$ 9,119</u>	<u>\$ -</u>	<u>\$ 155,932</u>	<u>\$ 994,972</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ 9,119	\$ -	\$ 155,932	\$ 1,053,416
Restricted assets:					
Cash and investments	(58,444)	-	-	-	(58,444)
Total cash and investment assets - ending	<u>\$ (58,444)</u>	<u>\$ 9,119</u>	<u>\$ -</u>	<u>\$ 155,932</u>	<u>\$ 994,972</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ (58,444)	\$ -	\$ -	\$ -	\$ (58,444)
Unrestricted	-	9,119	-	155,932	1,053,416
Total cash and investment fund balance - ending	<u>\$ (58,444)</u>	<u>\$ 9,119</u>	<u>\$ -</u>	<u>\$ 155,932</u>	<u>\$ 994,972</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Pre-School Special Education	School Lunch	Textbook Rental	RISE	RISE Transportation	Alternative Education	Reading Recovery
Receipts:							
Local sources	\$ 54,551	\$ 3,042,804	\$ 1,040,518	\$ 9,616,050	\$ 2,613,430	\$ -	\$ 35,900
State sources	377,861	-	-	252,226	87,233	38,918	61,000
Federal sources	-	3,024,269	-	-	-	-	-
Sale of property, adjustments and refunds	-	3,681	-	-	17,833	-	-
Total receipts	432,412	6,070,754	1,040,518	9,868,276	2,718,496	38,918	96,900
Disbursements:							
Current:							
Instruction	-	-	-	5,340,656	-	39,340	45,992
Support services	-	6,088,731	659,142	4,208,223	2,481,463	-	19,513
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	6,088,731	659,142	9,548,879	2,481,463	39,340	65,505
Excess (deficiency) of receipts over disbursements	432,412	(17,977)	381,376	319,397	237,033	(422)	31,395
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(445,281)	(60,000)	-	(25,000)	(55,000)	-	-
Total other financing sources (uses)	(445,281)	(60,000)	-	(25,000)	(55,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,869)	(77,977)	381,376	294,397	182,033	(422)	31,395
Cash and investments - beginning	238,714	(319,960)	(579,268)	314,524	(234,292)	(493)	27,777
Cash and investments - ending	\$ 225,845	\$ (397,937)	\$ (197,892)	\$ 608,921	\$ (52,259)	\$ (915)	\$ 59,172
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 225,845	\$ (397,937)	\$ (197,892)	\$ 608,921	\$ (52,259)	\$ (915)	\$ 59,172
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 225,845	\$ (397,937)	\$ (197,892)	\$ 608,921	\$ (52,259)	\$ (915)	\$ 59,172
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	225,845	(397,937)	(197,892)	608,921	(52,259)	(915)	59,172
Total cash and investment fund balance - ending	\$ 225,845	\$ (397,937)	\$ (197,892)	\$ 608,921	\$ (52,259)	\$ (915)	\$ 59,172

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 31, 2007
 (Continued)

	Lumina Southport HS	ASAI Lumina PMHS	ASAI Lumina Southport HS	Gifted and Talented	Non-English Speaking	Technology	School Improvement 2005-06
Receipts:							
Local sources	\$ -	\$ 10,000	\$ 11,966	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	35,478	12,977	-	146,615
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	309,016	-
Total receipts	-	10,000	11,966	35,478	12,977	309,016	146,615
Disbursements:							
Current:							
Instruction	-	-	-	45,231	-	-	-
Support services	9,647	7,910	11,484	-	9,389	273,246	128,268
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	9,647	7,910	11,484	45,231	9,389	273,246	128,268
Excess (deficiency) of receipts over disbursements	(9,647)	2,090	482	(9,753)	3,588	35,770	18,347
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,647)	2,090	482	(9,753)	3,588	35,770	18,347
Cash and investments - beginning	9,647	5,508	724	9,753	10,963	180,593	102,249
Cash and investments - ending	\$ -	\$ 7,598	\$ 1,206	\$ -	\$ 14,551	\$ 216,363	\$ 120,596
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 7,598	\$ 1,206	\$ -	\$ 14,551	\$ 216,363	\$ 120,596
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 7,598	\$ 1,206	\$ -	\$ 14,551	\$ 216,363	\$ 120,596
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	7,598	1,206	-	14,551	216,363	120,596
Total cash and investment fund balance - ending	\$ -	\$ 7,598	\$ 1,206	\$ -	\$ 14,551	\$ 216,363	\$ 120,596

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 31, 2007
 (Continued)

	Chinese Teacher Grant	Regional Library	Title I 2005-06	Title I School Improvement	Title I 2006-07	Title V	Learn and Serve America
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 22,950	\$ -	\$ -
State sources	33,012	2,400	-	-	-	-	-
Federal sources	-	-	-	135,546	1,766,971	47,379	40,000
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	33,012	2,400	-	135,546	1,789,921	47,379	40,000
Disbursements:							
Current:							
Instruction	37,247	-	-	115,854	1,206,077	-	-
Support services	11,931	-	-	5,495	363,640	34,106	30,889
Community services	-	-	-	-	65,287	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	49,178	-	-	121,349	1,635,004	34,106	30,889
Excess (deficiency) of receipts over disbursements	(16,166)	2,400	-	14,197	154,917	13,273	9,111
Other financing sources (uses):							
Transfers in	-	-	-	-	93,701	-	-
Transfers out	-	-	-	-	(93,701)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,166)	2,400	-	14,197	154,917	13,273	9,111
Cash and investments - beginning	26,600	-	639	-	324,456	(13,217)	7,931
Cash and investments - ending	\$ 10,434	\$ 2,400	\$ 639	\$ 14,197	\$ 479,373	\$ 56	\$ 17,042
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 10,434	\$ 2,400	\$ 639	\$ 14,197	\$ 479,373	\$ 56	\$ 17,042
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 10,434	\$ 2,400	\$ 639	\$ 14,197	\$ 479,373	\$ 56	\$ 17,042
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	10,434	2,400	639	14,197	479,373	56	17,042
Total cash and investment fund balance - ending	\$ 10,434	\$ 2,400	\$ 639	\$ 14,197	\$ 479,373	\$ 56	\$ 17,042

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 31, 2007
 (Continued)

	IDEA Sliver	IDEA Special Ed Part B	Pre-School Handicapped	Summer School Com 2006	Rock/ Boyz to Men	Safe and Drug Free Schools	Drug Free
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	6,077,895	213,439	61,529	97,036	-	67,558
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	6,077,895	213,439	61,529	97,036	-	67,558
Disbursements:							
Current:							
Instruction	47,772	4,153,885	142,354	-	-	-	-
Support services	2,846	2,169,566	93,238	2,930	8,652	16,080	32,429
Community services	-	-	-	70,263	100,414	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	50,618	6,323,451	235,592	73,193	109,066	16,080	32,429
Excess (deficiency) of receipts over disbursements	(50,618)	(245,556)	(22,153)	(11,664)	(12,030)	(16,080)	35,129
Other financing sources (uses):							
Transfers in	-	-	-	35,894	-	-	-
Transfers out	-	-	-	-	(35,894)	-	-
Total other financing sources (uses)	-	-	-	35,894	(35,894)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,618)	(245,556)	(22,153)	24,230	(47,924)	(16,080)	35,129
Cash and investments - beginning	50,618	438,368	(38,031)	27,809	104,071	16,080	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 192,812</u>	<u>\$ (60,184)</u>	<u>\$ 52,039</u>	<u>\$ 56,147</u>	<u>\$ -</u>	<u>\$ 35,129</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 192,812	\$ (60,184)	\$ 52,039	\$ 56,147	\$ -	\$ 35,129
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 192,812</u>	<u>\$ (60,184)</u>	<u>\$ 52,039</u>	<u>\$ 56,147</u>	<u>\$ -</u>	<u>\$ 35,129</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	192,812	(60,184)	52,039	56,147	-	35,129
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 192,812</u>	<u>\$ (60,184)</u>	<u>\$ 52,039</u>	<u>\$ 56,147</u>	<u>\$ -</u>	<u>\$ 35,129</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 31, 2007
 (Continued)

	21st Century SHS	Tech Prep PMHS	Citigroup Grant	First Robotics	Class Size Reduction	Enhance Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	81,037	-	-	-	-
Federal sources	-	-	-	17,500	241,884	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	81,037	-	17,500	241,884	-
Disbursements:						
Current:						
Instruction	-	-	-	-	264,225	-
Support services	2,000	80,284	931	18,411	94,118	30,934
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	2,000	80,284	931	18,411	358,343	30,934
Excess (deficiency) of receipts over disbursements	(2,000)	753	(931)	(911)	(116,459)	(30,934)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,000)	753	(931)	(911)	(116,459)	(30,934)
Cash and investments - beginning	-	(6,411)	931	-	99,816	36,388
Cash and investments - ending	<u>\$ (2,000)</u>	<u>\$ (5,658)</u>	<u>\$ -</u>	<u>\$ (911)</u>	<u>\$ (16,643)</u>	<u>\$ 5,454</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (2,000)	\$ (5,658)	\$ -	\$ (911)	\$ (16,643)	\$ 5,454
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (2,000)</u>	<u>\$ (5,658)</u>	<u>\$ -</u>	<u>\$ (911)</u>	<u>\$ (16,643)</u>	<u>\$ 5,454</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(2,000)	(5,658)	-	(911)	(16,643)	5,454
Total cash and investment fund balance - ending	<u>\$ (2,000)</u>	<u>\$ (5,658)</u>	<u>\$ -</u>	<u>\$ (911)</u>	<u>\$ (16,643)</u>	<u>\$ 5,454</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 31, 2007
 (Continued)

	Limited English	Pension Debt	PMHS Construction	Repair and Replacement	Totals
Receipts:					
Local sources	\$ -	\$ 1,245,993	\$ -	\$ -	\$ 17,694,162
State sources	-	-	-	-	1,128,757
Federal sources	145,950	-	-	-	11,936,956
Sale of property, adjustments and refunds	-	-	-	-	330,530
	<u>145,950</u>	<u>1,245,993</u>	<u>-</u>	<u>-</u>	<u>31,090,405</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	11,438,633
Support services	70,944	-	9,119	12,332	16,987,891
Community services	-	-	-	-	235,964
Debt services	-	2,177,615	-	-	2,177,615
	<u>70,944</u>	<u>2,177,615</u>	<u>9,119</u>	<u>12,332</u>	<u>30,840,103</u>
Excess (deficiency) of receipts over disbursements	<u>75,006</u>	<u>(931,622)</u>	<u>(9,119)</u>	<u>(12,332)</u>	<u>250,302</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	129,595
Transfers out	-	-	-	-	(714,876)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(585,281)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	75,006	(931,622)	(9,119)	(12,332)	(334,979)
Cash and investments - beginning	<u>45,878</u>	<u>(58,444)</u>	<u>9,119</u>	<u>155,932</u>	<u>994,972</u>
Cash and investments - ending	<u>\$ 120,884</u>	<u>\$ (990,066)</u>	<u>\$ -</u>	<u>\$ 143,600</u>	<u>\$ 659,993</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 120,884	\$ -	\$ -	\$ 143,600	\$ 1,650,059
Restricted assets:					
Cash and investments	-	(990,066)	-	-	(990,066)
Total cash and investment assets - ending	<u>\$ 120,884</u>	<u>\$ (990,066)</u>	<u>\$ -</u>	<u>\$ 143,600</u>	<u>\$ 659,993</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ (990,066)	\$ -	\$ -	\$ (990,066)
Unrestricted	<u>120,884</u>	<u>-</u>	<u>-</u>	<u>143,600</u>	<u>1,650,059</u>
Total cash and investment fund balance - ending	<u>\$ 120,884</u>	<u>\$ (990,066)</u>	<u>\$ -</u>	<u>\$ 143,600</u>	<u>\$ 659,993</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	Lilly Endowment	Adolescent Literacy	Lilly Grant II	Martin Luther King	RISE Pulliam	Indianapolis Foundation	Partnership Coca-Cola	PTEC Taskforce	Totals
Additions:									
Contributions:									
Other	\$ -	\$ 16,800	\$ -	\$ 720	\$ -	\$ 25,000	\$ 82,100	\$ -	\$ 124,620
Deductions:									
Administrative and general	919,883	20,701	88,823	500	771	23,037	111,552	5,466	1,170,733
Excess (deficiency) of total additions over total deductions	(919,883)	(3,901)	(88,823)	220	(771)	1,963	(29,452)	(5,466)	(1,046,113)
Cash and investment fund balance - beginning	919,883	12,344	1,312,298	967	771	1,740	84,227	47,955	2,380,185
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 8,443</u>	<u>\$ 1,223,475</u>	<u>\$ 1,187</u>	<u>\$ -</u>	<u>\$ 3,703</u>	<u>\$ 54,775</u>	<u>\$ 42,489</u>	<u>\$ 1,334,072</u>
Net assets:									
Cash and investments	<u>\$ -</u>	<u>\$ 8,443</u>	<u>\$ 1,223,475</u>	<u>\$ 1,187</u>	<u>\$ -</u>	<u>\$ 3,703</u>	<u>\$ 54,775</u>	<u>\$ 42,489</u>	<u>\$ 1,334,072</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 8,443</u>	<u>\$ 1,223,475</u>	<u>\$ 1,187</u>	<u>\$ -</u>	<u>\$ 3,703</u>	<u>\$ 54,775</u>	<u>\$ 42,489</u>	<u>\$ 1,334,072</u>

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Adolescent Literacy	Lilly Grant II	Small High School Reform	Martin Luther King	Indianapolis Foundation	Partnership Coca-Cola	PTEC Taskforce	Totals
Additions:								
Contributions:								
Other	\$ -	\$ -	\$ 65,000	\$ -	\$ 14,000	\$ 78,200	\$ -	\$ 157,200
Deductions:								
Administrative and general	8,443	183,294	35,863	-	16,318	73,217	9,695	326,830
Excess (deficiency) of total additions over total deductions	(8,443)	(183,294)	29,137	-	(2,318)	4,983	(9,695)	(169,630)
Cash and investment fund balance - beginning	8,443	1,223,475	-	1,187	3,703	54,775	42,489	1,334,072
Cash and investments - June 30	\$ -	\$ 1,040,181	\$ 29,137	\$ 1,187	\$ 1,385	\$ 59,758	\$ 32,794	\$ 1,164,442
Net assets:								
Cash and investments	\$ -	\$ 1,040,181	\$ 29,137	\$ 1,187	\$ 1,385	\$ 59,758	\$ 32,794	\$ 1,164,442
Total net assets - cash and investment basis held in trust	\$ -	\$ 1,040,181	\$ 29,137	\$ 1,187	\$ 1,385	\$ 59,758	\$ 32,794	\$ 1,164,442

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

June 30, 2007

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 6,637,500
Buildings	222,500,091
Improvements other than buildings	28,671,393
Machinery and equipment	<u>42,162,999</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 299,971,983</u>

Metropolitan School District of Perry Township

Supplementary Information

Schedule of long term debt

June 30, 2007

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal & interest due within 1 year</u>
Governmental Activities:		
Capital leases:		
1992 lease rental bond	\$1,117,474	\$ 2,062,526
2003 lease rental bonds	\$32,800,000	\$1,765,832
2001 lease rental bonds	\$15,230,000	\$1,476,329
2003 lease rental bonds	\$22,900,000	\$3,439,040
2005 refunding bonds	\$53,505,000	\$5,630,088
Bonds payable:		
Severance bond	\$23,050,000	\$2,177,568
Rise bond	\$345,387	\$236,018
Total governmental activities debt	\$148,947,861	\$16,517,401

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
OTHER REPORT

The report presented herein was prepared in addition to another official report listed below:

Paid Administrative Leave

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2006	\$ <u>722,145</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2007. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2006-2007	Kindergarten	553.0	552.5	.5
2006-2007	1 Through 12	12,128.95	12,139.95	(11.0)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Detailed records supporting the ADM claimed by the School Corporation for the 2006-2007 school year were not presented for audit. Additionally, written certifications of ADM from each building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation central office were not presented for audit for the 2006-2007 school year. Written certifications for the 2005-2006 school year, from the building level official at two schools were not presented for audit.

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

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

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

School graduation records and other information presented for audit indicated the number of honor diplomas reported on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, was incorrect and under reported for the school years ending June 30, 2006 and 2007. The difference between the count reported on the Form Number 30A and the verified figures are shown below:

<u>School Year</u>	<u>Honor Diplomas Reported on Form Number 30A</u>	<u>Actual Diplomas Issued Per School Records</u>	<u>Difference</u>
2005-2006	172	174	(2)
2006-2007	170	177	(7)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

Several funds had overdrawn (negative) cash balances at June 30, 2006, as follows: School Bus Replacement \$394,224; School Lunch \$319,960; Textbook Rental \$579,268; and RISE Transportation \$234,292. The funds and amounts overdrawn at June 30, 2007, were as follows: Pension Debt \$990,066; and School Lunch \$397,937. A similar comment appeared in prior Report B26867.

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

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

ERRORS ON CLAIMS

Claims for payments did not always have approval of the Board of Education prior to the payment being issued. We noted 30 checks that cleared the bank on or before the date the Board of Education approved the claims.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OVERPAYMENT OF TRAVEL CLAIMS

Beginning in January 2006 and continuing through May 2006, a former School Corporation employee made numerous trips on School Corporation business using her personal vehicle. Travel claims submitted by the employee indicated the trips were from the Relating Individualism to Special Education (RISE) Learning Center and to Perry Meridian High School to pick up a mini bus. The distance allowed for travel between the two buildings according to the School Corporation's mileage chart is 4 miles one way (8 miles round trip). The former employee claimed and was reimbursed 20 miles each time she made the trip, except for one trip in the amount of 24.8 miles. The former employee was reimbursed 208.8 miles in excess of the actual distance. The School Corporation overpaid the former employee \$92.92 for miles in excess of the actual distance traveled per the travel reimbursement rate in effect of \$.445/mile.

Additionally, the same former employee used her personal vehicle 62 times to transport a student in the special education program at RISE to various locations around Indianapolis as part of that student's Individual Education Plan. A review of the travel claims submitted revealed the former employee was reimbursed \$66.53 for 149.50 miles of travel on days when school was not in session (October 19 and 20, 2006 and December 21, 2006). A review of the former employee's time sheet indicated she was not being paid her hourly wage rate for these days and therefore, could not have been traveling on School Corporation business.

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

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROVED DEPOSITORY

A bank account was established at the Columbus Bank and Trust Company (CB & T) in Columbus, Georgia. However, CB & T was not on the list of depositories approved to receive public funds as determined by the State Board of Finance. The account was established as a means to reimburse employees' dependent care and unreimbursed care costs under a flexible spending account plan administered by American Family Life Assurance Company (AFLAC). Amounts deposited into the account were withheld from the paychecks of employees who participated in the plan. The service contract with AFLAC indicated the employer-owned and named account be established with CB & T.

Indiana Code 5-13-8-1 states:

"(a) A political subdivision may deposit public funds in a financial institution only if the financial institution:

- (1) is a depository eligible to receive state funds; and
- (2) has a principal office or branch that qualifies under section 9 of this chapter to receive public funds of the political subdivision.

(b) The state board of finance shall make available information concerning financial institutions eligible to receive state funds as may be requested by a local board of finance. A local board of finance may rely on certificates described in IC 5-13-9.5-1(d) in determining to deposit public funds or reinvest public funds in the financial institution."

OPTICAL IMAGES OF CHECKS

The School Corporation had a bank account with the Columbus Bank and Trust Company (CB & T) for reimbursing employees dependent care and unreimbursed care costs under a flexible spending account plan. CB & T did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

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

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

SUPPORTING DOCUMENTATION - FEDERAL PROGRAMS

The School Corporation made 39 reclassifications of expenditures between the various Title I funds totaling \$187,990 which did not contain adequate documentation, such as receipts, invoices, and other public records to support the reason for the transfer. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

The School Corporation also made 8 reclassifications of expenditures with a net total of \$56,336 during January and February 2007 from the RISE Fund to various Special Education funds. Proper supporting documentation as to the reason for the reclassification transfers was not presented for audit.

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)

APPROVAL OF SERVICE AGREEMENT

The School Corporation created a fund titled Workman's Compensation Self-Insurance in May 2006 and entered into an Administrative Services Agreement (Agreement) with a third-party administrator to assist with the filing and overall management of workman compensation claims. The Agreement was signed by the former Associate Superintendent of Business Services and was not presented to the Board of Education for approval.

Indiana Code 20-26-5-4 states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . .

- (15) To purchase insurance or to establish and maintain a program of self-insurance relating to the liability of the school corporation . . ."

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

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

FEDERAL AND STATE AGENCIES - TIME AND EFFORT LOG

The Title I program at the School Corporation did not begin using the time and effort log until the 2006-2007 school year. The logs we observed were not properly completed as they did not list the other funding source or the actual hours per day the individual spent on each program.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES – MONITORING REVIEW - TITLE I 2005-2006

The Indiana Department of Education (IDOE) performed an onsite monitoring review of the Title I program at the Metropolitan School District (MSD) of Perry Township on January 19, 2006. Numerous instances of findings of noncompliance, required actions, and recommendations were noted including:

1 Percent Parental Involvement With 95 Percent Being Used at the Schools: Although MSD of Perry Township has reserved 1 percent of its allocation for parental involvement, these funds are being used for parents of all students when they should only be used for the parents of those students served by Title I.

Required Action: MSD of Perry Township must ensure that the 1 percent set-aside for parental involvement will only be used for the parents of Title I students.

10 Percent Professional Development: Set-Aside: Although MSD of Perry Township did set-aside the mandatory 10 percent for professional development for schools in improvement, corrective action, restructuring, or alternative governance, a careful review of actual expenditures for the 2004-2005 school year demonstrated that funds were expended inappropriately. In the 2005-2006 application, professional development activities are budgeted, but as of January 19, 2006, no contracts were available.

Required Action: For the 2005-2006 school year, MSD of Perry Township must ensure that the 10 percent set-aside for professional development will be expended in a manner compliant with statutory requirements.

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

10 Percent Professional Development: Focus of Professional Development: Professional Development must directly address the specific academic issues that caused the school to be identified for school improvement.

Required Action: MSD of Perry Township must ensure that the 10 percent set-aside for schools in improvement meets the statutory requirements of NCLB and Title IX; including a focus on the specific academic area and subgroup(s) that caused the school to be identified for school improvement.

Student Eligibility and Selection: MSD of Perry Township was not able to demonstrate that proper eligibility lists were maintained at Winchester Village and Abraham Lincoln Elementary Schools.

Required Action: MSD of Perry Township must ensure that proper eligibility lists are maintained at every targeted assistance school.

Required Action: MSD of Perry Township must provide training to personnel in targeted assistance schools to ensure that all understand eligibility and program design requirements of Title I.

Proper Use of Funds: MSD of Perry Township was not able to demonstrate that funds were used only for those students served by Title I.

Required Action: MSD of Perry Township must ensure that Title I funds are used only for those students served by Title I.

Comparability: Demonstrating comparability is a prerequisite for receiving Title I, Part A funds. Because Part A allocations are made annually, comparability is an annual requirement. The IDOE requires comparability documentation be submitted biennially. MSD of Perry Township has not established if schools are comparable for the 2005-2006 school year.

Required Action: MSD of Perry Township must submit a comparability report within 30 days.

Equitable Services Requirements: MSD of Perry Township did not demonstrate compliance with equitable services requirements of Title I, Part A, including the consultation expenditure, timing, and allocation requirements. MSD of Perry Township consulted with each of the nonpublic schools. The principal from each nonpublic school and the Title I program administrator signed an agreement for tutoring in each school as well as professional development for the nonpublic school teachers and parental involvement for parents of the identified Title I students. However, only two of the five schools receive tutoring. Supplies are given to all five of the nonpublic schools. It was mentioned that the schools agreed to pool funds. If pooling of funds was agreed upon, there is no evidence of this through any signed consultation forms.

Required Action: MSD of Perry Township must immediately consult with each nonpublic school. The school should be shown how much funding is being generated from the Perry students as well as other LEAs that send Title I monies to MSD of Perry Township to provide services to their nonpublic students. If the nonpublic schools agree to pool funds, the principals and Title I program administrator must sign the consultation form agreeing to this. Services must be pooled for use in the schools that have the students most at-risk.

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

Required Action: Supplies cannot be given directly to nonpublic schools. If the nonpublic schools agree to pool funds and only two are being served by MSD of Perry Township the other three nonpublic schools cannot receive materials. The Title I teacher who is working with identified students may use materials that the district purchased with Title I funds in the two nonpublic schools that are being served. Based on decisions during consultation, MSD of Perry must ensure that services will only be provided to the nonpublic schools that have an agreement for services.

Required Action: MSD of Perry Township cannot use Title I funds to pay for a site license for a nonpublic school. The funds generated must be administered by and under the control of the LEA. All nonpublic Title I services are to go directly to the identified students, the students' classroom teachers through professional development, and families of students served through parental involvement. Funds generated cannot benefit the nonpublic school. MSD of Perry Township must ensure that funds generated from nonpublic students will not be used to support general needs of the nonpublic school.

Student Selection: MSD of Perry Township did not provide evidence showing that two criteria are used for the selection process.

Required Action: MSD of Perry Township must use two criteria for selection of eligible students in nonpublic schools that will receive Title I services. Documentation of such selection will be necessary.

Homeless Children: Not all funds expended for homeless children in 2005-2006 were allowable costs.

Required Action: MSD of Perry Township must ensure that money used for homeless children are allowable expenditures. Funds must first be used to give homeless children in non-Title I schools the same type of services that Title I students are receiving. (e.g., additional services in reading)

20 Percent Choice/Supplemental Educational Services: MSD of Perry Township was unable to demonstrate compliance with proper use of Choice/SES set-asides during the 2004-2005 school year.

Required Action: MSD of Perry Township must ensure that the entire set-aside for Choice/SES is expended solely on choice transportation and/or SES state approved providers for the 2005-2006 school year.

Supplement, Not Supplant: MSD of Perry Township was unable to demonstrate that its schools are familiar with and in compliance of the supplement, not supplant requirement.

Required Action: MSD of Perry Township must ensure that all MSD of Perry Township staff, including the school level staff, understand the supplement, not supplant requirements of Title I.

Financial Management System: As stated above, MSD of Perry Township needs to strengthen its financial management system consistent with Section 80.20. For example, expenditures from the approved 2004-2005 application's total budget page compared with the program's final expenditure report varied considerably. Approximately 50 percent of the budget had been modified without filing an amendment to obtain approval for budgetary changes.

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

Required Action: MSD of Perry Township must review its financial management system to ensure that it complies with the requirements of Section 80.20.

Required Action: MSD of Perry Township must receive technical assistance from IDOE regarding its financial management system.

Required Internal Control: The Title I program administrator must approve all Title I expenditures. The Title I program administrator must ensure that expenditures are reasonable, allocable, and necessary. In addition, MSD of Perry Township must receive technical assistance in regard to internal control and Section 80.20 of EDGAR. There are seven components that must be addressed:

1. Financial reporting
2. Accounting records
3. Internal control
4. Budget control
5. Allowable costs
6. Source documentation
7. Cash management

Allowable Costs: MSD of Perry Township is spending a large sum of money on food.

Required Action: MSD of Perry Township must follow applicable cost principles, meaning all costs must be necessary, reasonable and allocable to the relevant federal program.

Compensation for Personnel Services Requirements: MSD of Perry Township was unable to demonstrate sufficient compliance with the requirements of OMB Circular A-87.

Required Action: MSD of Perry Township must ensure that staff is properly trained on the compensation for personnel services requirement, particularly as it relates to time and effort and semiannual certification requirements.

Required Action: MSD of Perry Township must ensure that systems are implemented that comply with the A-87 compensation requirements.

Required Action: MSD of Perry Township must receive technical assistance from IDOE regarding the compensation for personnel services requirement.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES – MONITORING REVIEW - TITLE I 2006-2007

The Indiana Department of Education (IDOE) performed an onsite monitoring review of the Title I program at the Metropolitan School District (MSD) of Perry Township on January 16, 2007. Numerous instances of findings of noncompliance, required actions, and recommendations were noted including:

Supplemental Educational Services: MSD of Perry Township did not provide evidence that the correct Per Pupil Expenditure (PPE) is being used for each student qualifying for supplemental educational services. In order to provide tutoring for additional students, MSD of Perry Township lowered the PPE. MSD of Perry Township has signed agreements between provider, parents, and the LEA, but the LEA has not provided the IDOE with a copy for review.

Required Action: MSD of Perry Township must provide evidence that the SES contracts with the providers are amended to reflect the accurate per pupil expenditure.

Required Action: MSD of Perry Township must submit to the IDOE the SES agreement between the provider, parents, and the LEA that includes:

- a statement of specific achievement goals for the student
- how the student's progress will be measured
- how parents and teachers will be regularly informed of student progress
- a timetable for improving achievement
- provisions with respect to the making of payment to the provider

Comprehensive LEA Improvement Plan: MSD of Perry Township provided a district improvement plan that contained the statutory components required by NCLB and Title I.

Required Action: MSD of Perry Township did not have an improvement plan that met the statutory components required by Title I and NCLB. MSD of Perry Township was provided feedback and asked to resubmit revisions to the plan. Technical assistance for writing the 2007-2008 plan will be provided in March by the IDOE and the Great Lakes East Comprehensive Center.

Student Attendance: MSD of Perry Township did not provide evidence that only identified students were being served under Title I, Part A.

Required Action: MSD of Perry Township must provide evidence through teacher attendance books that only identified students are being served with Title I, Part A funds.

Homeless Children: Not all funds expended for homeless children in 2005-2006 were allowable costs. \$450 was expended on rent for a student.

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

Required Action: MSD of Perry Township must ensure that money used for homeless children are allowable expenditures. Funds must first be used to give homeless children in non-Title I schools the same type of services that Title I students are receiving. (e.g., additional services in reading) MSD of Perry Township must return \$450 to the Title I program this year.

1 Percent Parental Involvement: MSD of Perry Township provided evidence that 1 percent of the allocation for parental involvement was reserved and expended; however, time distribution was not appropriated correctly.

Required Action: MSD of Perry Township must ensure that the time the parent coordinator dedicates to parent involvement must be at the school level and not at the administrative level.

Contracted Services: MSD of Perry Township could not provide evidence that measures are in place to ensure contracted services are the best value and that consultants are working the amount of time for which they are paid.

Required Action: MSD of Perry Township must ensure contracted services (consultants) fulfill their contracts. Dates and services must be verified.

Internal Control: MSD of Perry Township could not provide evidence of accurate documentation of expenditures in some accounts. \$8,000.00 for Voyager kits and \$893.43 for McGraw Hill leveled books were miscoded under professional development. \$1,479.75 for a laptop was purchased as an administrative expense, but posted under parent involvement.

Required Action: MSD of Perry Township must submit to IDOE evidence of a charge back for funds from professional development. The LEA must charge back \$8,000.00 for Voyager kits and \$893.43 for McGraw Hill leveled books to instructional supplies.

Required Action: MSD of Perry Township must ensure that a laptop for the parent coordinator is posted as an administrative expense and not posted under parent involvement.

Equipment and Technology Inventory: MSD of Perry Township has inventory lists that meet the requirements of EDGAR 80.32; however, the lists are not complete.

Required Action: MSD of Perry Township must ensure that all equipment and technology are included on the inventory lists for the last two years. In addition, a completed inventory with equipment and technology for the administration building must be submitted to the IDOE.

Title I Equipment: MSD of Perry Township could not show evidence that Title I equipment and technology is properly tagged and located where indicated on the inventory list.

Required Action: MSD of Perry Township must ensure that all equipment and technology purchased with Title I, Part A funds must be properly tagged and located where indicated on the inventory list.

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

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CASH DISBURSEMENTS (Applies to Southport High School)

Disbursements were not always made by check. Payrolls for special athletic events such as tournaments, sectionals, and regionals were paid in cash. The Extra-Curricular Account Treasurer wrote checks payable to the bank, cashed the checks with her endorsement stating the money was for athletic payrolls, and distributed the cash to the Athletic Director or his appointed designee. The Athletic Director or the designee then distributed the cash to the persons working the events.

Cash disbursements were also noted as prizes to students for top fundraiser sales in the Music Fundraiser Fund.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PAYMENT TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS
(Applies to Southport High School)

Payments to School Corporation employees working at extra-curricular activity events were made directly from the extra-curricular account rather than through a payroll system. Employees received cash payments in 2006-2007 ranging in total from \$25 to \$5,750. The total cash payments paid from extra-curricular funds was \$15,517.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 130) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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

ECA DEPOSITS (Applies to Jeremiah Gray Elementary, Rosa Parks Elementary,
Perry Meridian 6th Grade Academy, and Southport High Schools)

Receipts at Jeremiah Gray Elementary School were not always deposited within a reasonable time. Three deposits were made nineteen, thirty-eight, and sixty days after the date of the receipt. Some receipts were for field trips and the money was collected by classroom teachers. The teachers then held the money before turning remitting it to the Extra-Curricular Account Treasurer.

Receipts at Rosa Parks Elementary School were not always deposited within a reasonable time. Receipts in two instances were held for periods in excess of six days before depositing.

Receipts at Perry Meridian 6th Grade Academy in eight instances were not deposited within a reasonable time. The number of days the deposits were held ranged from three to twelve.

Receipts at Southport High School were not always deposited within a reasonable time. Receipts in some instances were held for periods in excess of four to twenty-one days before depositing. Receipts in some cases accumulated to over \$11,000 before a deposit was made. A similar comment was in prior Report B26867.

Additionally, at Southport High School, textbook rental receipts were not always deposited within a reasonable time. We noted receipts in at least nine instances, were deposited from fifteen to forty days after the payment was received.

Indiana Code 20-41-1-9(a) states in part: ". . . The receipts shall be deposited without unreasonable delay . . ."

RECEIPT ISSUANCE (Applies to Jeremiah Gray Elementary and Perry Meridian High Schools)

Receipts at Jeremiah Gray Elementary School were not always issued for monies received. We noted instances where postings were made to the ledger that did not have a corresponding receipt. Receipt postings to the ledger in January 2006, for example, totaled \$11,690. However, receipts issued and presented for audit for the month only totaled \$1,260.

The Treasurer at Perry Meridian High School did not always write receipts at the time she received monies, but waited until a deposit was prepared. At the time monies were given to the Treasurer, a "vault receipt" was issued that showed the total collections being turned in, the amount of checks and the amount of cash, the date, and the fund or funds the receipt was to be posted to. We conducted a cash count and noted cash and checks on hand with no receipts written totaling \$26,643.04. The amount included several money orders for \$1 each dated July 30, 2007, with no vault receipt attached, as well as 7 other small checks dated from September 27, 2007 to December 12, 2007. Additionally, 13 current checks were included in the monies collected but not supported by a vault receipt.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-9(a) states in part: ". . . The receipts shall be deposited without unreasonable delay . . ."

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

DEPOSIT OF CASH RECEIPTS (Applies to Jeremiah Gray Elementary and Southport High Schools)

Cash receipts at Jeremiah Gray Elementary School were not always deposited in the same form as the collections. We noted two instances where cash was withheld from monies collected and used to reimburse students for overpayments.

Not all textbook rental receipts at Southport High School were presented for audit to support deposits into the bank account; therefore, the composition of the deposits could not be verified. Only one instance was noted where the composition of cash and checks on the deposit ticket did not match the composition written on the receipts.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

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

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

INTERNAL CONTROLS (Applies to Abraham Lincoln Elementary and Southport High Schools)

Abraham Lincoln Elementary School, operated a Petty Cash Fund issued from the Extra-Curricular Account. We noted two checks totaling \$160 that were written to establish and replenish the Petty Cash Fund. The Extra-Curricular Account Treasurer indicated the Petty Cash Fund should have \$82; however we counted \$83.25. The Petty Cash Fund was used to make cash refunds to students when necessary and no record was maintained of which students received refunds or how much money should be in the Petty Cash Fund.

The bookstore at Abraham Lincoln Elementary School was operated by the fifth grade class. Receipts were not issued for sales and no other record of recording sales was used. We could not determine the products sold or the amount of money generated from sales. There was no record of the amount of the cash change used for the bookstore. A check was not issued to originate the change, nor a deposit and receipt made at the end of the school year to return the change.

Controls at Southport High School for receipts generated by the Extra-Curricular Account Treasurer were insufficient. The original documentation for receipts was not maintained with the receipt input listing/daily batch report and, in some cases, there was no original documentation maintained elsewhere. A similar comment appeared in prior Report B26867.

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 Extra-Curricular Accounts, Chapter 7)

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

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. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for the fund in an amount that is not more than five hundred dollars (\$500.00). . . ."

FUND SOURCES AND USES (Applies to Abraham Lincoln Elementary
Perry Meridian High, and Southport High Schools)

We noted transfers at Abraham Lincoln Elementary School to the Faculty and Staff Flower Fund from the Staff Clearing and Interest Income Funds in the amounts of \$910 and \$1,375, respectively. We determined the \$910 was actually Summer School fees incorrectly received to the Staff Clearing Fund and should have been remitted to the School Corporation. The Interest Income Fund revenue was generated from interest earned on the money in the bank account.

Two commission checks received for student picture sales at Abraham Lincoln Elementary School were received to the Faculty and Staff Fund. The amount of the two checks was \$4,245.

We noted disbursements at Perry Meridian High School for cellular phone service paid from the General Miscellaneous Fund. The administrators using the phones were an athletic director, assistant principal, a former principal (now retired), and the current principal.

We noted a disbursement at Southport High School, that did not appear extra-curricular in nature from the Investment, Income Fund. The disbursement consisted of meals for a meeting of local school principals. Additionally, disbursements for cellular phone services for principals and assistant principals were paid for from the Faculty Fund.

Indiana Code 20-41-1-7(a) states: "The treasurer has charge of the custody and disbursement of any funds collected by a collecting authority and expended to pay expenses:

- (1) approved by the principal or teacher in charge of the school;
- (2) incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers);
- (3) that cost more than twenty-five dollars (\$25) during the school year; and
- (4) that are not paid from public funds."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extracurricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these types of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.) (The School Administrator and Uniform Compliance Guidelines, March 2001)

BANK ACCOUNT RECONCILIATIONS (Applies to Abraham Lincoln Elementary School)

The depository reconciliation of the fund balances to the bank account balance at May 31, 2007, was incorrect. The fund totals were \$36.04 more than the bank balance of \$26,441.78. There was not any explanation for the difference with the reconciliation.

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

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Southport High School)

Financial Reports (Form SA-5) presented for audit were not complete. Certificates of deposit purchased from the Extra-Curricular Account were not reflected on the Financial Report (Form SA-5) and were not included in the Extra-Curricular Account ledger. We noted five certificates of deposit at June 30, 2006, totaling in excess of \$42,000 that were not reported.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION (Applies to Perry Meridian 6th Grade Academy, Southport Elementary, and Southport High School)

One payment at Perry Meridian 6th Grade Academy, in the amount of \$186 did not contain adequate supporting documentation. Also, at Southport Elementary, three payments were observed which did not contain adequate supporting documentation such as original receipts, bills, and invoices.

At Southport High School, several payments were observed which did not contain adequate supporting documentation which itemized and agreed with the disbursements. Problems were noted with the payment of security expenses and travel claims.

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

Three payments for security expenses were for amounts which did not match the itemized listing of personnel being paid for working security. The amount disbursed in all cases was larger than the detailed listing. For example, one check was in the amount of \$2,810 but the itemized listing of personnel being paid only added to \$2,510. No supporting documentation was presented for audit to explain the difference of \$300. We could not determine if it was expended or if the \$300 was redeposited into the bank account.

A travel claim for lodging were not adequately itemized. The payment for a hotel stay for four people did not have itemized room bills for each person. Also, claims for food were not always properly supported. As an example, we noted a payment to a restaurant in the amount of \$300 for a meal for the Speech Team's State meet. However, there was no invoice, bill, or itemized receipt attached to show what was purchased and who received the meals.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

A similar comment appeared in prior Report B26867.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 PERRY TOWNSHIP, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of Perry 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, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-5.

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

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 with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2007-2, 2007-3, 2007-4, and 2007-6 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit are described in the accompanying Corrective Action Plan section of the report. 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, the Board of Education, 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

June 26, 2008

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY05-06 FY06-07	\$ 501,949 -	\$ - 597,995
National School Lunch Program	10.555	FY05-06 FY06-07	2,448,932 -	- 2,601,601
Special Milk Program for Children	10.556	FY05-06 FY06-07	7,325 -	- 6,919
Total for federal grantor agency			<u>2,958,206</u>	<u>3,206,515</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Special Education Cluster (IDEA) Special Education - Grants to States	84.027	14205-053-SN01 14205-053-PN01 14204-040-DY01 14205-053-DY01 14206-053-PN01 14207-053-PN01	18,563 514,011 85,000 - - -	- - - 50,618 6,044,200 5,885,084
Total for program			<u>617,574</u>	<u>11,979,902</u>
Special Education - Preschool Grants	84.173	45706-053-PN01 45707-053-PN01	- -	212,514 273,623
Total for program			<u>-</u>	<u>486,137</u>
Total for cluster			<u>617,574</u>	<u>12,466,039</u>
Direct Grant Safe and Drug Free Schools and Communities - National Programs	84.184	S184K010130-03	<u>8,286</u>	<u>-</u>
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies Improvement FY04-05 Improvement FY05-06 Improvement FY06-07	84.010	04-5340 05-5340 05-5340 06-5340 06-5340 07-5340	105,949 272,090 172,752 1,572,120 - -	- - - 231,004 121,349 1,404,000
Pass-Through Southwest Dubois County School Corporation Networking		FY05-06	<u>361</u>	<u>-</u>
Total for program			<u>2,123,272</u>	<u>1,756,353</u>
Pass Through Indiana Department of Workforce Development Vocational Education Basic Grants to States	84.048	CPR-6-80 CPR-6a-80	- -	14,411 4,000
Total for program			<u>-</u>	<u>18,411</u>
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186	03-280 04-343 05-225	4,467 50,792 -	- 16,080 32,429
Total for program			<u>55,259</u>	<u>48,509</u>
Tech-Prep Education	84.243	TP-5-80 TP-6-80	31,628 -	28,745 51,539
Total for program			<u>31,628</u>	<u>80,284</u>

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

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007
(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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Twenty-First Century Community Learning Centers	84.287	Southport H.S.	-	2,000
State Grants for Innovative Programs	84.298			
		03-039	2,329	-
		04-054	15,602	-
		05-036	48,749	6,783
		06-5340	-	27,323
Total for program			<u>66,680</u>	<u>34,106</u>
Education Technology State Grants	84.318			
		SY02-03	7,265	-
		SY03-04	7,960	4,278
		SY05-06	-	26,656
Total for program			<u>15,225</u>	<u>30,934</u>
English Language Acquisition Grants	84.365			
		FY04-05	6,386	-
		FY05-06	56,596	45,878
		FT06-07	-	25,066
Total for program			<u>62,982</u>	<u>70,944</u>
Improving Teacher Quality State Grants	84.367			
		05-179	51,474	194,632
		06-5340	-	83,711
Total for program			<u>51,474</u>	<u>278,343</u>
Total for federal grantor agency			<u>3,032,380</u>	<u>14,785,923</u>
<u>U.S. CORPORATION FOR NATIONAL COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
		Special	174	-
		FY04-05	5,519	-
		FY05-06	5,069	7,931
		FY06-07	-	22,958
Total for federal grantor agency			<u>10,762</u>	<u>30,889</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
		097-UMUJH-00	-	38,835
Total for federal grantor agency			<u>-</u>	<u>38,835</u>
Total federal awards expended			<u>\$ 6,001,348</u>	<u>\$ 18,062,162</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan School District of Perry Township (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
National School Lunch Program	10.555	\$ 267,371	\$ 257,049

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

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

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?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Special Education Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$ 721,905

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2007-1, INTERNAL CONTROL REQUIREMENT FOR ACCOUNTING SYSTEMS

We noted reclassifications of expenditures and transfers of funds that were not supported by underlying auditable documentation. As an example, 39 reclassifications of expenditures were made between various Title I funds totaling \$187,990. Also, we noted 8 reclassifications of expenditures totaling \$56,336 between the RISE Fund and various Special Education funds for which supporting documentation was not presented for audit. Due to the lack of supporting documentation, the validity and accountability for these reclassifications could not be established.

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

Review of the records also noted instances of "negative" receipts and disbursements. Many of these negative entries were corrections of original entries and sometimes not corrected until the next fiscal period for grants received by the School Corporation. These negative entries could result in the underreporting of disbursements and receipts in the current period. Errors might not be detected or corrected in a timely manner. Such errors could result in potential misstatement of the financial statements.

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 managements' 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

Failure to ensure that the accounting system provides complete and accurate output consistent with management objectives may result in inaccurate information being presented in the financial statements or the schedule of federal awards.

We recommended the School Corporation design and properly monitor procedures that would ensure the internal control deficiencies noted are adequately corrected.

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-2, ACTIVITIES ALLOWED OR UNALLOWED/SIGNIFICANT DEFICIENCY

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education (IDOE) performed an onsite monitoring review of the Title I program on January 19, 2006. The IDOE report, dated February 22, 2006, noted the School Corporation was unable to demonstrate sufficient compliance with the requirements of OMB Circular A-87 relating to time and effort and semiannual certification requirements.

We reviewed information during the audit of payroll transactions to determine whether salaries and benefits charged to the grants were supported by adequate time and effort documentation. There was no time and effort documentation presented for audit for the payroll costs charged to the grant programs for the 2005-2006 school year. Additionally, time and effort logs were not presented for two of the seven individuals reviewed in the 2006-2007 school year. The examples we observed for the 2006-2007 school year were not properly completed and did not list the other funding source or the actual hours per day the individual spent on each program.

2CFR225 Appendix B(8)(h) states in part: "Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

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

- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h. (5) of this appendix unless a statistical sampling system (see subsection 8.h. (6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee. . . .
- (6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. . . .
- (7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards . . ."

We recommended School Corporation Officials design and implement internal control procedures that will ensure proper compliance with supporting documentation requirements.

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

FINDING 2007-3. ALLOWABLE COST/COST PRINCIPLES/INTERNAL CONTROLS SIGNIFICANT DEFICIENCY

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

The School Corporation made four reclassifications of expenditures totaling \$60,726 during the 2005-2006 school year from the Transportation Fund to the Title I Fund for transportation cost of students for Homeless and Supplemental Education Services. The reclassifications included \$24,706 for a mileage fee. The School Corporation was informed by the Indiana Department of Education that additional cost information was required in order to charge a mileage fee. Adequate supporting mileage cost information was not presented for audit.

The School Corporation reclassified \$101,100 of expenditures from the General Fund to a Title I Fund. No supporting documentation as to the reason for the reclassification transfers was presented for audit.

Accordingly, we have questioned costs for unsupported transfers and reclassified expenditures totaling \$125,806 (\$24,706 mileage charges plus \$101,100 transferred from the General Fund). Questioned costs were based on actual transfers posted to the ledger that were not supported by underlying auditable documentation.

Failure to adequately document transfers reclassifications could result in unallowed costs being charged to the federal program.

EDGAR Part 80 Subgrant C Section 80.20 states in part:

"(b)(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income . . .

- (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

We recommended School Corporation Officials design and implement internal control procedures that will ensure proper compliance with supporting documentation requirements.

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

FINDING 2007-4, ALLOWABLE COST/COST PRINCIPLES/INTERNAL
CONTROLS SIGNIFICANT DEFICIENCY

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education (IDOE) identified during an onsite monitoring review for the 2005-2006 school year that the School Corporation had expended \$450 for apartment rent for a student. The IDOE required that the School Corporation return the funds to the Title I program.

The IDOE, during a monitoring review, also identified two instances of incorrect classification of expenditures totaling \$8,893.

The School Corporation took corrective action on July 12, 2007, and repaid \$9,343 to the Title I program from the General Fund for the items identified by the IDOE monitoring report.

We observed during our review of Title I expenditures several other disbursements were made for nonallowable costs totaling \$5,955. These included playground equipment (\$925) and 6,000 other dog identification tags (\$2,385) purchased for Clinton Young Elementary School. We also noted adult jerseys (\$1,610) purchased for Winchester Village Elementary School. We identified another instance separate from the IDOE monitoring review of the School Corporation expending Title I funds for apartment rent (\$1,035) for a student.

Accordingly, we have questioned costs totaling \$5,955 for the nonallowable disbursements which excludes the \$9,343 repaid for the unallowed costs identified by the IDOE in their monitoring report. Questioned costs were based on actual costs as identified by the amounts paid to the vendors.

2CFR225 Appendix AA2a(2) states:

"Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award."

We recommended the School Corporation Officials design, follow, and monitor control procedures to provide reasonable assurance that only allowable costs related to the Title I program are incurred and that those costs are supported by the underlying accounting records.

FINDING 2007-5, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-through Entity: Indiana Department of Education

We noted that in six of the seven quarterly reports reviewed for Title I programs, the cash balance of funds had quarterly ending balances greater than 10% of the total approved grant award. The cash on

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

hand balance listed on the 2005-2006 4th quarter report submitted to Indiana Department of Education was \$324,456 which was approximately 17% of the total grant amount approved. The Title I final report fund balance for the 2006-2007 school year was \$229,736 or approximately 12% of the grant award.

EDGAR Part 80 Subpart C Section 80.20(b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FINDING 2007-6, INTERNAL CONTROLS SIGNIFICANT DEFICIENCY
ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Special Education Cluster
CFDA Number: 84.027, 84.173
Pass-through Entity: Indiana Department of Education

The School Corporation made eight reclassifications of expenditures with a net total of \$56,336 during January and February, 2007. These transfers were from the RISE Fund to various federal Special Education funds. Adequate supporting documentation detailing the transfers and reasons for the reclassifications was not presented for audit.

Accordingly, we have questioned costs for unsupported transfers and reclassified expenditures totaling \$56,336. Questioned costs were based on actual transfers posted to the ledger that were not supported by underlying auditable documentation.

Failure to adequately document transfers reclassifications, etc., could result in unallowed cost being charged to the federal program.

EDGAR Part 80 Subpart C Section 80.20 states in part:

"(b)(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income . . ."

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

- (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

We recommended School Corporation Officials design and implement internal control procedures that will ensure proper compliance with supporting documentation requirements.

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

No matters are reportable.



"Students Are Our Priority."

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP

6548 Orinoco Avenue • Indianapolis, Indiana 46227-4820 • (317) 789-3700 • Fax (317) 789-3709

CORRECTIVE ACTION PLAN

FINDINGS 2007-1, 2007-3, 2007-4, and 2007-6 Allowable Cost/Cost Principles / Internal Controls Significant Deficiency

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies and Special Education Cluster
CFDA Number: 84.010, 84.027, and 84.173
Auditee Contact Person: Mr. Robert Harris & Mrs. Vickie Carpenter
Title of Contact Person: Business Manager, Director of Special Programs
Phone Number: 317-789-3700
Expected Completion Date: All corrective actions in place as of 7-1-08

- At the end of each month, the business office will print monthly statement of account balance for Title I accounts and Title III monies. Special Program's office will compare business expenditures with our accounting of expenditures, for any discrepancies.
- Business manager and secretary will meet quarterly with the Director of Special Programs, and Title I Fiscal Coordinator, Liz McGail to reconcile accounts.
- Business office will create a Transfer of Account form that will provide supporting documentation of with the purpose of transfer, date, specify clearly the accounts that had been changed due to this transfer.

FINDING 2007-2 Activities Allowed or Unallowed / Significant Deficiency

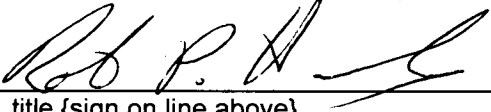
Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Auditee Contact Person: Mr. Robert Harris & Mrs. Vickie Carpenter
Title of Contact Person: Business Manager & Director of Special Programs
Phone Number: 317-789-3700
Expected Completion Date: All corrective actions, in place as of 7-1-08

- A meeting will be held at the beginning of the 2008-08 school year, with the business office and Special Program's office, to meet with Title I paid employees on their responsibility in completing the Time and Effect logs, as well as the Semi-Annual certification reports.
- On a monthly basis, the Title I Fiscal Coordinator, Liz McGail, the Supervisor of Title I services, Celeste Allen and/or the Director of Special Programs, Vickie Carpenter will review each school's documentation for compliance with the Time and Effort Logs, and the Semi-Annual certification report (when due).
- If an employee hasn't completed this required component, the Director will contact that employee, along with the principal requesting this data.

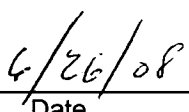
FINDING 2007-5 Cash Management

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Auditee Contact Person: Mr. Robert Harris/Mrs. Vickie Carpenter
Title of Contact Person: Business Manager/Director of Special Programs
Expected Completion Date: July 1, 2008 changes to policy and procedures will be implemented

- Distributions of Title I funds will be requested on reasonable prediction of expenditures for the 2008-09 school year, so that we do not have more than 10% of the Federal Grant amount as cash balance for any quarter.
- Quarterly reports from the past year will be reviewed.



Name, title {sign on line above}



Date

METROPOLITAN SCHOOL DISTRICT OF PERRY TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2008, Susan Adams, Vice President of the School Board; Stephen Maple, School Board member; Dennis Nichols, Interim Superintendent of Schools; William Brown, former Associate Superintendent of Business Services; Roger Harris, Treasurer; Michael Bagley, Director of Operations; Frank Giles, Director of Technology; James Fitzwater, Director of Information Systems; Cynthia Maude, Information Systems; Jon Bailey, School Corporation Attorney; and T.J. Little, Superintendent of Schools effective July 1, 2008. The official response has been made a part of this report and may be found on page 83.

The contents of this report were discussed on June 26, 2008, with Barbara Thompson, President of the School Board, and she responded with the following:

"The time and efforts that were encountered by the auditing team that conducted the MSDPT audit should be applauded.

It became very clear to me in February 2006 upon seeking information from parents of the community that indeed many did not find that current administration was meeting the educational needs of children who had been categorized with learning disabilities. This audit report reflects to me a complete lack of accountability by the past administration in Title I.

This report gives the new administration the information and tools needed to correct the past and build a better future for the District of Perry Township. I am grateful that we now have leadership that understands basic accounting principals and the importance of accountability with state and federal funds. . . .

The new and current Superintendent and his staff in this district will take every step recommended to repair and correct all recommendations by the SBOAs found in this audit report.

This report reflects again the needed change in leadership necessary in MSDPT. In a private sector corporation, the responsible parties would most likely lose their jobs for such poor performance and failure to comply with state and federal guidelines. The school district is a governmental entity and lack of regard for the state and federal guidelines is a complete embarrassment. The end result of a poorly managed district is the educational needs of children not being met.

I would like to thank the SBOA for their professionalism and excellent exit conference in the face of adversity by those whom were seeking to protect long time friendships and forgetting responsibility."

To: State Board of Accounts

From: William Brown

Date: June 21, 2008

Re: Response to "Regular Audit" of M.S.D. of Perry Township --July 1, 2005 to June 30, 2007

Thank you for allowing me to respond to Audit Comments made by the State Board of Accounts for the audit period of July 1, 2005 to June 30, 2007.

My review of the audit and comments would not elicit any strong comments about the audit itself. I believe the audit is not out of the normal for a school district the size of M.S.D. of Perry Township. I believe it shows the school corporation financial issues were handled frugally and efficiently during the time period of the audit. The few comments by the State Board of Accounts should be helpful to the school corporation in staying within all guidelines regarding financial issues.

As stated in the Audit Exit Conference, there are a number of audit comments that might not have been necessary if I had been able to participate in the fact gathering. I do believe that some of the data that was missing or not presented for audit was in existence at the time I left the school corporation. This is not meant to be a negative comment regarding the current administration, I just believe some of the data could not be located without my assistance.

Again, I would describe this audit as "normal". Anyone reading the audit comments and the responses from individuals should carefully evaluate the responses. In particular, I believe that critical comments by school board members should be disregarded in total. Their responses misrepresent certain portions of the audit and in some cases are not based on fact, but on an inexplicable desire to cause harm to the school corporation and the administration during the time period of the audit.

I appreciate the opportunity to include my comments in the response to the regular audit. I will also submit comments in a separate memo regarding the "supplemental audit."