

MONTOUR SCHOOL DISTRICT

ALLEGHENY COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004

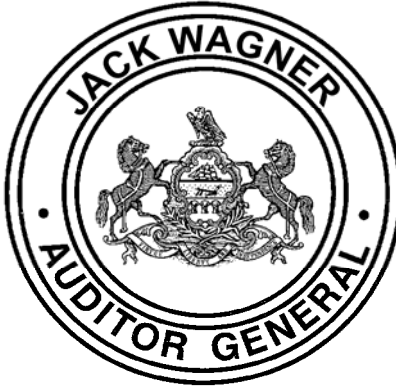
WITH FINDING, OBSERVATION, RECOMMENDATIONS

AND STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS

AND OF THE FEBRUARY, 2004 REPORT ISSUED BY THE

OFFICE OF SPECIAL INVESTIGATIONS

THROUGH FEBRUARY 23, 2006

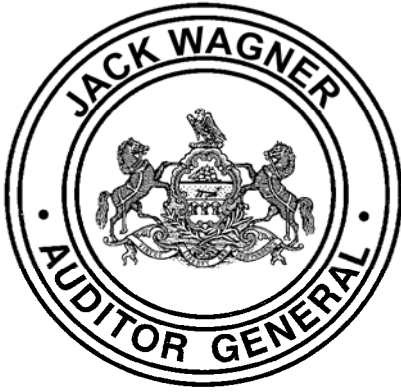


MONTOUR SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2004
WITH FINDING, OBSERVATION, RECOMMENDATIONS
AND STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS
AND OF THE FEBRUARY, 2004 REPORT ISSUED BY THE
OFFICE OF SPECIAL INVESTIGATIONS
THROUGH FEBRUARY 23, 2006

MONTOUR SCHOOL DISTRICT
CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Background	3
Objectives, Scope and Methodology	4
Conclusions	5
Objective No. 1	5
Objective No. 2	9
Status of February, 2004 Report Issued by the Office of Special Investigations	12
Supplementary Information: Schedule and Description of State Revenue Received	17
Audit Report Distribution List	21



The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Montour School District for the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit was limited to the following objectives:

- Objective No. 1 - To determine if the Montour School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Montour School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

To plan and perform our audit of the Montour School District, we considered the district's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the district's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

Independent Auditor's Report (Continued)

The results of our tests identified internal control weaknesses and indicated that, in all significant respects, the Montour School District was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the finding and recommendations contained in our prior audit report, except as noted in the following finding and observation further discussed in the Conclusions section of this report:

Objective No. 1

Finding – Violations of the Public Official and Employee Ethics Act

Observation – Internal Control Weaknesses in Administrative Policies
Regarding Bus Drivers' Qualifications

We believe that our recommendations, if implemented by the district, will improve the internal control weakness identified and help ensure compliance with applicable state laws, regulations, contracts, grants, and administrative procedures falling within the scope of our audit.

In addition to our normal audit report, this audit report contains an update to the report issued in February, 2004, by the Auditor General's Office of Special Investigations regarding various matters of district operation.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

Sincerely,

February 23, 2006

/s/
JACK WAGNER
Auditor General

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Montour School District is located in Allegheny County and encompasses an area of 15.5 square miles. The school district has a population of 24,711, according to the 2000 federal census. The administrative offices are located at 223 Clever Road, McKees Rocks, Pennsylvania.

According to school district administrative officials, during the 2003-04 school year, the district provided basic educational services to 3,249 pupils through the employment of 15 administrators, 251 teachers, and 127 full-time and part-time support personnel. Special education was provided by the district and the Allegheny Intermediate Unit #3. Occupational training and adult education in various vocational and technical fields were provided by the district and the Parkway West Area Vocational-Technical School.

Generally, state subsidies and reimbursements are paid in the year subsequent to the year in which the school district incurs the cost that qualifies it for the applicable subsidy or reimbursement. While the Pennsylvania Department of Education (DE) makes partial payments to the school district throughout the year, final payments are normally made in June. Refer to the Supplementary Information on pages 17 through 19 of this report for a listing of the state revenue the district received during the 2003-04 and 2002-03 school years and for descriptions of the state revenue received by category.

In July of each year, the Commonwealth's Labor, Education and Community Services, Comptroller's Office confirms the payments that were made by DE throughout the prior fiscal year. School district annual financial reports and the related certified audits of the payments are not available before October 31st of the following fiscal year.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

Our audit objectives were:

- Objective No. 1 - To determine if the Montour School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit; and
- Objective No. 2 - To determine if the Montour School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report.

The scope of our audit covered the years ended June 30, 2004 and 2003, and in certain areas extending beyond June 30, 2004.

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended.

The proper administration of a school district requires school board members to establish and maintain internal controls to provide reasonable assurance that specific school district objectives will be achieved. School board members are responsible for the adoption and use of policies and procedures that promote the economic and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the school district's internal controls as they relate to the district's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

As noted in the Background section of this report, the Department of Education generally pays state subsidies and reimbursements in the fiscal year subsequent to the fiscal year the district incurs the qualifying cost. Because we use the payment confirmations, annual financial reports and certified audit data as supporting documentation of actual payments received in the performance of our audit, we cannot begin the field work of a school district's operations for a given year until after this information becomes available.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS – OBJECTIVE NO. 1

The first objective of our audit was to determine if the Montour School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

The results of our tests indicate that with respect to the items tested, the Montour School District complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the finding listed below. Additionally, we identified internal control weaknesses as noted in the observation included in this report. The finding, observation and recommendations were reviewed with representatives of the Montour School District and their comments have been included in this report.

Finding – Violations of the Public Official and Employee Ethics Act

Our review of district records for the 2002, 2003 and 2004 calendar years, disclosed that one, three, and two board members, respectively, failed to file Statements of Financial Interests as required.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, the board members' failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides, in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding (Continued)

Any person who is required to file a Statement of Financial Interests and fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Furthermore, any person who is required to file a Statement of Financial Interests and fails to do so in a timely manner, or who files a deficient Statement of Financial Interests, may be fined not more than \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The board should:

- . seek the advice of its solicitor in regard to the board's responsibility when an elected board member fails to file a Statement of Financial Interests; and
- . develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management agreed with the finding, stating:

The forms that were distributed were not returned by the individuals listed by the auditing team. . . . [L]etters were sent as corrective action.

Observation – Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Section 111 of the Public School Code, as amended, requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.¹

¹ 24 P.S. § 1-111.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Similarly, Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.²

The ultimate purpose of these requirements is to ensure the protection of the safety and welfare of the students transported in school buses. To that end, there are other serious crimes that school districts should consider, on a case-by-case basis, in determining a prospective employee's suitability to have direct contact with children. Such crimes would include those listed in Section 111 but which were committed beyond the five-year look-back period, as well as other crimes of a serious nature that are not on the list at all. School districts should also consider reviewing the criminal history and child abuse reports for current bus drivers on a periodic basis in order to learn of incidents that may have occurred after the commencement of employment.

Our review of the personnel records of a random sample of 25 of 78 bus drivers currently employed by the Montour School District found that these individuals possessed the minimum requirements to be employed as bus drivers and that the Montour School District had on file the required report of criminal history record information and an official child abuse clearance statement for all drivers' files that we reviewed. There was no information contained in these reports that would have prohibited the Montour School District from hiring any of the drivers. Therefore, we concluded that the Montour School District has satisfied the minimum legal requirements set forth in both the Public School Code and the CPSL. Additionally, there were no serious crimes identified or other information that called into question the applicants' suitability to have direct contact with children.

However, the district did not have written policies or procedures in place to ensure that it is notified if current employees have been charged with, or convicted of, serious criminal offenses which should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children. This lack of written policies and procedures is an internal control weakness that could result in the continued employment of individuals who may pose a risk if allowed to continue to have direct contact with children.

² 23 Pa.C.S. § 6355.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Observation (Continued)

Recommendations

The school board and district administrators should consider, in consultation with the district's solicitor:

- . developing a process to determine, on a case-by-case basis, whether prospective employees of the district's transportation contractors have been convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children; and
- . implementing written policies and procedures to ensure that the district is notified when current employees of the district's transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the district considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Response of Management

Management agreed with the finding, stating the following:

We do not have policies which cover the scope of supervisory responsibility suggested in the [audit] team's observation. We will share the observation with the district's solicitor and consider policies which reflect the team's recommendations.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of our audit was to determine if the Montour School District took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2002 and 2001 and in certain areas extending beyond June 30, 2002. The status of this finding along with a description of the school board's disposition of each recommendation was determined by one or more of the following procedures:

- reviewing the board's written response, dated April 25, 2005, to the Department of Education, replying to the Department of the Auditor General's audit report for the years ended June 30, 2002 and 2001, and in certain areas extending beyond June 30, 2002;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning of appropriate district personnel regarding the prior years' finding and recommendations.

Finding – Errors in Health Services Reimbursement Data Resulted in Underpayments of \$2,315

Our prior audit of the district's health services reimbursement data for the 2000-01 and 2001-02 school years disclosed district personnel incorrectly reported average daily membership (ADM) to the Department of Health (DH). The errors resulted in reimbursement underpayments of \$2,315.

It was recommended that district personnel review health services reimbursement applications prior to submission to DH to ensure accurate ADM is reported.

It was also recommended that DH adjust the district's allocations to correct the reimbursement underpayments of \$2,315.

The board, in its written response, agreed with the finding and stated that corrective actions were taken immediately by ensuring adequate training for all staff. The board stated that the director of fiscal management would monitor the reporting process to ensure the accuracy of reports.

Our current audit revealed that for the years subsequent to the finding, district personnel accurately reported all pupil health services data to DH.

On August 12, 2005, DH issued the district a check for \$2,315 to correct the reimbursement underpayments.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding (Continued)

Based on the results of our current audit, we concluded that the district did take appropriate corrective action to address this finding.

MONTOUR SCHOOL DISTRICT
STATUS OF THE FEBRUARY, 2004 REPORT ISSUED BY THE
OFFICE OF SPECIAL INVESTIGATIONS

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

The Department of the Auditor General's Office of Special Investigations (OSI), in response to complaints, conducted an investigation of the Montour School District's (MSD) procedures in the purchasing and leasing of computer equipment, software and services. OSI issued its findings in a February, 2004 report. During our current audit of MSD, we reviewed the district's corrective actions taken in response to OSI's recommendations.

A summary of OSI's findings and recommendations, along with the results of our current review, follows.

Finding No. 1 – Montour School District Violated the Public School Code by Entering into Agreements to Purchase Educational Computer Software and Services without Prior School Board Authorization and Approval

During the 2001-02 school year, MSD entered into agreements to obtain curriculum software from a firm.

OSI concluded that MSD entered into agreements with the software firm without formal school board authorization or approval, either intentionally (to ensure that no questions would be raised concerning the choice of vendor) or through neglect or incompetence. The total cost of the software and services in question was \$79,818.

OSI made the following recommendations to the MSD school board:

- conduct a review of all existing school district contracts and agreements to determine whether Commonwealth and school district requirements relating to school board authorization and approval and competitive bidding have been met. In cases where the requirements were not met, the MSD school board should take appropriate steps regarding responsible individuals, including training and disciplinary action where appropriate. Contracts and agreements that were not authorized or approved should be presented to the school board to determine whether they should be approved or rejected;
- require that lists of all contracts and agreements entered into during each calendar month be prepared and submitted as part of the financial information presented to the school board at regular monthly meetings, together with copies of the relevant documents; the lists should be maintained as part of the records of the school board meetings;

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

- . ensure that all purchasing and implementation of computer technology and services, including software, instructional materials and training, are the responsibility of qualified school district employees; such employees should report to the business manager in regard to all purchases, contracts and payments; and contract activities should be overseen by the school board as a whole or through an appropriate board committee; and
- . ensure that all staff members with duties related to contracting and purchasing are aware of applicable requirements of the Public School Code and the school district relating to school board authorization and approval and competitive bidding.

The MSD school board, in its written response included in OSI's report, stated that it would implement the recommendations contained in the finding.

Our current audit revealed the district:

- . has made an inventory of all existing contracts. Copies of the contracts are kept in a file maintained by the superintendent's secretary/recording secretary. Our review of the contracts in the file disclosed that each contract was signed by the school board president and contained evidence of board approval;
- . is still in the process of developing a district-wide technology plan. This plan will be available for our next audit and will be reviewed at that time; and
- . has also contracted with the Pennsylvania School Boards Association for a total review and revision of the district's policy manual. The administration informed the audit team that the revised manual will include detailed policy on purchasing and contracts. The revised manual will be reviewed during the next audit of the district.

Based on the results of our current audit, we concluded that the district took appropriate corrective action to address OSI's recommendations. During our next regularly scheduled audit of the district, we will perform procedures to determine whether all staff members with duties related to contracting and purchasing adhere to the district's detailed policy on purchasing and contracts, as to be revised by the Pennsylvania School Boards Association.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 – A False and Misleading MSD School Board Certificate of Authority Was Given to a Leasing Company and a Bank in Connection with a Financing Agreement

A “Certificate of Authority” was contained in documentation in connection with a financing agreement for the purchase of curriculum software discussed in OSI’s Finding No. 1. OSI concluded that this document contained various irregularities and erroneous information, and stated in its report:

MSD or members of its staff entered into an agreement to receive computer software from [a vendor], made a \$15,000 payment for those supplies, submitted a lease purchase agreement and signed a Certificate of Authority, all without any record of authorization or approval by the school board. The certificate containing false and misleading information was submitted to the bank in connection with financing of the transaction.

There is disagreement among the MSD officials involved in the transaction concerning the extent of their knowledge of what happened. However, it appears to be clear that the school district did not comply with the Public School Code’s requirements concerning the need for school board authorization and approval and that the representations on the certificate submitted to the bank were deceptive and misleading. . . .

Overall, the incident shows that MSD’s management of contracting and purchasing was disorganized and poorly managed and that those activities were conducted with a lack of knowledge of, or regard for, legal requirements.

OSI recommended the MSD school board:

- take appropriate action against all MSD officials and other MSD employees who were responsible for the agreement to obtain computer software from [the vendor], the down payment for the software, and the lease agreement transaction; and
- establish a requirement that all MSD school board purchasing or contracting certifications and authorizations are signed by an appropriate member or members of the school board and that the issuance of such documents is made part of the record of official school board actions.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

In a written response included in OSI's report, the school board stated that all parties involved in the purchasing of the curriculum software were no longer employed by or associated with the school district, and therefore no disciplinary action could be taken against them. The response also stated that only the president of the board, or, if the president is unavailable, the vice-president, are authorized to execute contracts.

As stated in Finding No. 1, our current audit revealed that all current district contracts reviewed were signed by the board president and contained evidence of board approval. Based on the results of our current audit, we concluded that the district took appropriate corrective action to address OSI's recommendations.

Finding No. 3 – MSD Staff Members Received Questionable and Inappropriate Things of Value through an Arrangement with a Vendor Doing Business with the School District

OSI's investigation revealed that the curriculum software vendor referred to in OSI's previous findings provided various district staff members with free rounds of golf during an administrative retreat sponsored by the district in July of 2002. Additionally, the administrators were provided with Personal Digital Assistants (commonly referred to as "Palm Pilots").

OSI concluded that it was inappropriate for MSD staff to accept the rounds of golf paid for by the outside vendor. OSI was unable to determine whether MSD paid for the Palm Pilots, or whether they were inappropriate gifts from the vendor to MSD staff members.

OSI recommended that the MSD school board:

- . take appropriate action in regard to MSD's officials and staff members who took part in the round of golf but did not pay for the participation themselves. The action could include discipline and adopting a policy that prohibits officials and staff from accepting things of value from vendors and others seeking to do business with the school district; and
- . conduct a review and/or audit to determine if the Palm Pilots given to MSD staff members were, in fact, purchased from the software vendor by the school district. If the review determines that they were not, the property should be kept until the rightful ownership and proper disposition of them is decided.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Our current audit revealed the district has not taken any disciplinary action against any staff or tried to recover any of the monies associated with the round of golf, but the Palm Pilots in question have been returned to the district and are awaiting a final disposition. The administration has informed the auditors the policy manual review discussed in Finding No. 1 in this section will contain detailed policy prohibiting the acceptance of gifts from outside vendors.

Based on the results of our current audit, it is questionable whether the district has adequately addressed the matters described in the prior OSI report. We recommend that management take the appropriate steps to ensure that similar situations do not occur in the future. During our next regularly scheduled audit of the district we will follow-up on this issue along with the status of the updates to district policy prohibition this acceptance of gifts from outside vendors and the district's final position regarding the Palm Pilots.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Schedule of State Revenue Received

The district reported it received state revenue of \$6,622,218 and \$6,469,760, respectively, for the years ended June 30, 2004 and 2003, as detailed in the following schedule:

	<u>2004</u>	<u>2003</u>
STATE REVENUE		
Basic Education	\$3,259,440	\$3,141,429
Charter Schools	3,835	5,036
School Performance Incentives	-	76,460
Tuition for Orphans and Children Placed in Private Homes	23,286	-
Homebound Instruction	315	219
Special Education	1,486,748	1,406,159
Transportation	724,507	744,551
Rental and Sinking Fund Payments	262,252	57,513
Health Services	-	74,898
Social Security and Medicare Taxes	694,859	879,400
Retirement	<u>166,976</u>	<u>84,095</u>
<u>TOTAL STATE REVENUE</u>	<u>\$6,622,218</u>	<u>\$6,469,760</u>

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Description of State Revenue Received (Source: Pennsylvania Accounting Manual)

Basic Education

Revenue received from Commonwealth appropriations as subsidy for basic education.

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

School Performance Incentives

Revenue received from Commonwealth appropriations to reward significant educational and school-specific performance improvements as measured by improvements in student attendance and student accomplishments.

Tuition for Orphans and Children Placed in Private Homes

Revenue received from the Commonwealth as tuition for children who are orphans and/or children who are placed in private homes by the court. Payments are made in accordance with Sections 1305 and 1306 of the Public School Code.

Homebound Instruction

Revenue received from the Commonwealth as subsidy for expenses incurred for instruction of homebound pupils. Payments are made in accordance with Section 2510.1 of the Public School Code.

Special Education

Revenue received from the Commonwealth as subsidy for expenditures incurred for instructing school age special education students.

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

MONTOUR SCHOOL DISTRICT
PERFORMANCE AUDIT REPORT

SUPPLEMENTARY INFORMATION
[UNAUDITED]

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved district debt obligations for which the Department of Education has assigned a lease number.

Health Services

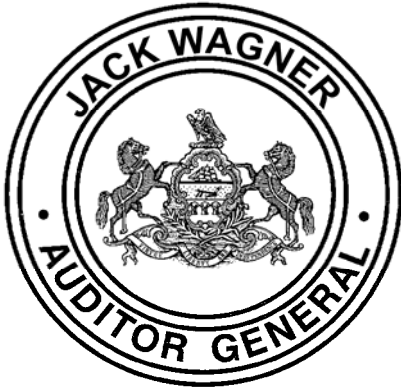
Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.



BUREAU OF SCHOOL AUDITS
AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

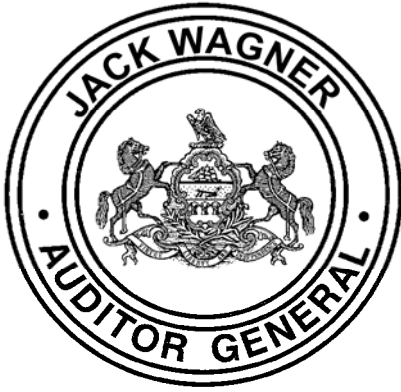
The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

Mr. John Godlewski
Director, Bureau of Budget and Fiscal Management
Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Dr. David Davare
Director of Research Services
Pennsylvania School Boards Association
400 Bent Creek Boulevard
Mechanicsburg, PA 17050



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

Mr. John J. Contino
Executive Director
State Ethics Commission
309 Finance Building
P.O. Box 11470
Harrisburg, PA 17108

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.