

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

AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE

MORGAN COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED
05/22/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra K. Hart	07-01-05 to 06-30-08
Superintendent of Schools	Ronald Furniss	07-01-05 to 06-30-08
President of the School Board	Stephen Hardin Randy Wells Kenneth Costin	01-01-05 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN 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 Martinsville (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 March 13, 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.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The 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

March 13, 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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN 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 Martinsville (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 March 13, 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 opinion 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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

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.

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

March 13, 2008

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 18,253,995	\$ -	\$ 158,834	\$ (18,095,161)
Support services	23,668,221	1,617,715	1,129,619	(20,920,887)
Community services	305,171	-	-	(305,171)
Nonprogrammed charges	9,699	-	-	(9,699)
Debt service	<u>2,835,911</u>	<u>-</u>	<u>-</u>	<u>(2,835,911)</u>
Total governmental activities	<u>\$ 45,072,997</u>	<u>\$ 1,617,715</u>	<u>\$ 1,288,453</u>	<u>(42,166,829)</u>
General receipts:				
Property taxes				14,880,239
Other local sources				3,480,917
State aid				21,079,506
Grants and contributions not restricted to specific programs				2,051,665
Sale of property, adjustments, and refunds				2,097,594
Investment earnings				<u>714,483</u>
Total general receipts				<u>44,304,404</u>
Change in net assets				2,137,575
Net assets - beginning				<u>17,585,432</u>
Net assets - ending				<u>\$ 19,723,007</u>
<u>Assets</u>				
Cash and investments				\$ 18,497,248
Restricted assets:				
Cash and investments				<u>1,225,759</u>
Total assets				<u>\$ 19,723,007</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,225,759
Unrestricted				<u>18,497,248</u>
Total net assets				<u>\$ 19,723,007</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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	\$ 18,811,298	\$ -	\$ 154,270	\$ (18,657,028)
Support services	23,143,605	1,678,054	1,074,195	(20,391,356)
Community services	334,576	-	-	(334,576)
Nonprogrammed charges	16,843	-	-	(16,843)
Debt service	<u>3,143,856</u>	<u>-</u>	<u>-</u>	<u>(3,143,856)</u>
Total governmental activities	<u>\$ 45,450,178</u>	<u>\$ 1,678,054</u>	<u>\$ 1,228,465</u>	<u>(42,543,659)</u>
General receipts:				
Property taxes				8,150,829
Other local sources				2,473,572
State aid				21,434,945
Bonds and loans				574,505
Grants and contributions not restricted to specific programs				2,355,595
Sale of property, adjustments, and refunds				1,146,516
Investment earnings				<u>917,391</u>
Total general receipts				<u>37,053,353</u>
Change in net assets				(5,490,306)
Net assets - beginning				<u>19,723,007</u>
Net assets - ending				<u>\$ 14,232,701</u>
<u>Assets</u>				
Cash and investments				\$ 14,145,710
Restricted assets:				
Cash and investments				<u>86,991</u>
Total assets				<u>\$ 14,232,701</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 86,991
Unrestricted				<u>14,145,710</u>
Total net assets				<u>\$ 14,232,701</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 10,147,339	\$ 1,816,091	\$ 2,157,284	\$ 3,782,087	\$ 237,503	\$ 2,552,585	\$ 20,692,889
Intermediate sources	465	-	-	-	-	-	465
State sources	21,217,840	-	-	-	-	335,473	21,553,313
Federal sources	-	-	-	-	-	2,866,311	2,866,311
Sale of property, adjustments and refunds	1,120,932	292	-	976,042	-	328	2,097,594
Total receipts	32,486,576	1,816,383	2,157,284	4,758,129	237,503	5,754,697	47,210,572
Disbursements:							
Current:							
Instruction	16,949,523	-	-	-	-	1,304,472	18,253,995
Support services	13,534,424	2,181,290	-	4,214,950	172,328	3,565,229	23,668,221
Community services	287,658	-	-	-	-	17,513	305,171
Nonprogrammed charges	9,699	-	-	-	-	-	9,699
Debt services	-	-	1,963,028	-	-	872,883	2,835,911
Total disbursements	30,781,304	2,181,290	1,963,028	4,214,950	172,328	5,760,097	45,072,997
Excess (deficiency) of receipts over disbursements	1,705,272	(364,907)	194,256	543,179	65,175	(5,400)	2,137,575
Other financing sources (uses):							
Transfers in	5,544	84,473	-	-	-	171,907	261,924
Transfers out	-	-	(127,575)	-	-	(134,349)	(261,924)
Total other financing sources (uses)	5,544	84,473	(127,575)	-	-	37,558	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,710,816	(280,434)	66,681	543,179	65,175	32,158	2,137,575
Cash and investments - beginning	10,814,145	1,156,812	704,521	3,138,555	596,443	1,174,956	17,585,432
Cash and investments - ending	\$ 12,524,961	\$ 876,378	\$ 771,202	\$ 3,681,734	\$ 661,618	\$ 1,207,114	\$ 19,723,007
Cash and Investment Assets - Ending							
Cash and investments	\$ 12,524,961	\$ 876,378	\$ -	\$ 3,681,734	\$ 661,618	\$ 752,557	\$ 18,497,248
Restricted assets:							
Cash and investments	-	-	771,202	-	-	454,557	1,225,759
Total cash and investment assets - ending	\$ 12,524,961	\$ 876,378	\$ 771,202	\$ 3,681,734	\$ 661,618	\$ 1,207,114	\$ 19,723,007
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 771,202	\$ -	\$ -	\$ 454,557	\$ 1,225,759
Unrestricted	12,524,961	876,378	-	3,681,734	661,618	752,557	18,497,248
Total cash and investment fund balance - ending	\$ 12,524,961	\$ 876,378	\$ 771,202	\$ 3,681,734	\$ 661,618	\$ 1,207,114	\$ 19,723,007

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 6,252,481	\$ 1,090,110	\$ 1,393,879	\$ 2,133,658	\$ 206,838	\$ 2,142,416	\$ 13,219,382
Intermediate sources	465	-	-	-	-	-	465
State sources	21,590,968	-	-	-	-	347,936	21,938,904
Federal sources	-	-	-	-	-	3,080,100	3,080,100
Bonds and loans	-	229,670	314,224	-	-	30,611	574,505
Sale of property, adjustments and refunds	1,136,924	7,578	-	1,907	-	107	1,146,516
Total receipts	28,980,838	1,327,358	1,708,103	2,135,565	206,838	5,601,170	39,959,872
Disbursements:							
Current:							
Instruction	17,468,352	-	-	-	-	1,342,946	18,811,298
Support services	13,708,102	2,189,926	-	3,192,812	236,891	3,815,874	23,143,605
Community services	315,792	-	-	-	-	18,784	334,576
Nonprogrammed charges	16,843	-	-	-	-	-	16,843
Debt services	-	-	2,273,687	-	-	870,169	3,143,856
Total disbursements	31,509,089	2,189,926	2,273,687	3,192,812	236,891	6,047,773	45,450,178
Deficiency of receipts over disbursements	(2,528,251)	(862,568)	(565,584)	(1,057,247)	(30,053)	(446,603)	(5,490,306)
Other financing sources (uses):							
Transfers in	26,293	84,473	-	-	-	215,350	326,116
Transfers out	-	-	(165,897)	-	-	(160,219)	(326,116)
Total other financing sources (uses)	26,293	84,473	(165,897)	-	-	55,131	-
(Deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,501,958)	(778,095)	(731,481)	(1,057,247)	(30,053)	(391,472)	(5,490,306)
Cash and investments - beginning	12,524,961	876,378	771,202	3,681,734	661,618	1,207,114	19,723,007
Cash and investments - ending	\$ 10,023,003	\$ 98,283	\$ 39,721	\$ 2,624,487	\$ 631,565	\$ 815,642	\$ 14,232,701
Cash and Investment Assets - Ending							
Cash and investments	\$ 10,023,003	\$ 98,283	\$ -	\$ 2,624,487	\$ 631,565	\$ 768,372	\$ 14,145,710
Restricted assets:							
Cash and investments	-	-	39,721	-	-	47,270	86,991
Total cash and investment assets - ending	\$ 10,023,003	\$ 98,283	\$ 39,721	\$ 2,624,487	\$ 631,565	\$ 815,642	\$ 14,232,701
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 39,721	\$ -	\$ -	\$ 47,270	\$ 86,991
Unrestricted	10,023,003	98,283	-	2,624,487	631,565	768,372	14,145,710
Total cash and investment fund balance - ending	\$ 10,023,003	\$ 98,283	\$ 39,721	\$ 2,624,487	\$ 631,565	\$ 815,642	\$ 14,232,701

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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	\$ 44,655	\$ 34,625	
Investment earnings:			
Interest	-	4,310	
Total additions	44,655	38,935	
Deductions:			
Benefits	694,122	-	
Administrative and general	-	17,345	
Total deductions	694,122	17,345	
Excess (deficiency) of total additions over total deductions	(649,467)	21,590	
Cash and investment fund balance - beginning	1,095,032	170,931	
Cash and investment fund balance - ending	\$ 445,565	\$ 192,521	
Net assets:			
Cash and investments	\$ 445,565	\$ 192,521	\$ 739,075
Total net assets - cash and investment basis held in trust	\$ 445,565	\$ 192,521	\$ 739,075

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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	\$ 133	\$ 81,775	
Investment earnings:			
Interest	-	6,945	
Total additions	133	88,720	
Deductions:			
Benefits			
Administrative and general	445,698	-	
	-	48,233	
Total deductions	445,698	48,233	
Excess (deficiency) of total additions over total deductions	(445,565)	40,487	
Cash and investment fund balance - beginning	445,565	192,521	
Cash and investment fund balance - ending	\$ -	\$ 233,008	
Net assets:			
Cash and investments	\$ -	\$ 233,008	\$ 602,574
Total net assets - cash and investment basis held in trust	\$ -	\$ 233,008	\$ 602,574

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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 Martinsville

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

Joint Venture

The School Corporation is a participant with Monroe County Community School Corporation, Richland Bean-Blossom School Corporation, Eastern Greene School Corporation and Aurora Alternative School (Bloomington) in a joint venture to operate Hoosier Hills Career Center which was created to provide vocational education. The Hoosier Hills Career Center's continued existence depends on continued funding by the School Corporation. The School Corporation is jointly obligated for the debts of the Hoosier Hills Career Center. Complete financial statements for the Hoosier Hills Career Center can be obtained from Monroe County Community School Corporation, 315 North Drive, Bloomington, Indiana, 47401.

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, liabilities, 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust funds report trust arrangements under which principal and income benefit the students and teachers.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings 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 MARTINSVILLE
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.

3. Compensated Absences

a. Sick Leave

Noncertified employees earn sick leave at the rate of 5 to 10 days per year based on months of service. Teachers earn sick leave at the rate of 13 days per year. Unused sick leave may be accumulated to a maximum of 62 days for supervisory personnel, 94 days for clerical and maintenance personnel and 160 days for teachers. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Vacation leave is paid to employees upon retirement.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Personal leave may be transferred to the sick leave balance at the end of the fiscal year.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. 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.

5. 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.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. 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 and the similar discretely presented component unit result 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 MARTINSVILLE
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 Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. 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
Improving Teacher Quality	\$ 3,150	\$ -
Title 1 FY 2007	-	17,721

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

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of,

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
Debt Service Fund	Transportation Fund	\$ 84,473	\$ 84,473
	Other governmental funds	43,102	81,424
Other governmental funds	General Fund	5,544	26,293
	Other governmental funds	<u>128,805</u>	<u>133,926</u>
Totals		<u>\$ 261,924</u>	<u>\$ 326,116</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

During 1989, the School Corporation joined with other governmental entities to form the South Central Indiana School Trust, a public entity risk pool currently operating as a common risk management and insurance program for 12 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$250,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease (Series 2004) with The Greater Martinsville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the 2006-2007 year totaled \$626,000.

The School Corporation has entered into a capital lease (Series 2005) with The Greater Martinsville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the 2006-2007 year totaled \$511,053.

C. Subsequent Events

The School Corporation entered into a capital lease with Dell Financial Services for computer hardware in the amount of \$625,699.21.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

	PERF
Annual required contribution	\$ 363,431
Interest on net pension obligation	(53,786)
Adjustment to annual required contribution	61,293
Annual pension cost	370,938
Contributions made	337,718
Increase in net pension obligation	33,220
Net pension obligation, beginning of year	(741,876)
Net pension obligation, end of year	\$ (708,656)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	31 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 241,245	169%	\$ (684,671)
	06-30-05	300,118	119%	(741,876)
	06-30-06	370,938	91%	(708,656)

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$463,180, \$405,647, and \$366,168, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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	\$ 5,697,358	\$ 5,728,194	\$ (30,836)	99%	\$ 5,806,805	(1%)
07-01-05	5,981,187	6,671,547	(690,360)	90%	5,897,880	(12%)
07-01-06	5,879,384	6,732,318	(852,934)	87%	5,957,804	(14%)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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

	Preschool Special Education	School Lunch	Textbook Rental	South Central Indiana School Study	Alternative Education Grant	Gifted and Talented 2004/2005	Gifted and Talented 2005/2006
Receipts:							
Local sources	\$ 28,675	\$ 1,215,198	\$ 420,988	\$ 10,200	\$ -	\$ -	\$ -
State sources	149,485	29,497	112,863	-	19,210	-	20,452
Federal sources	-	913,477	-	-	-	-	-
Sale of property, adjustments and refunds	328	-	-	-	-	-	-
Total receipts	178,488	2,158,172	533,851	10,200	19,210	-	20,452
Disbursements:							
Current:							
Instruction	241,611	-	-	-	19,452	1,993	17,419
Support services	17,625	2,034,637	523,006	6,982	-	244	2,089
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	259,236	2,034,637	523,006	6,982	19,452	2,237	19,508
Excess (deficiency) of receipts over disbursements	(80,748)	123,535	10,845	3,218	(242)	(2,237)	944
Other financing sources (uses):							
Transfers in	-	-	43,102	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	43,102	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(80,748)	123,535	53,947	3,218	(242)	(2,237)	944
Cash and investments - beginning	245,272	4,574	116,075	24,282	51,307	2,237	-
Cash and investments - ending	\$ 164,524	\$ 128,109	\$ 170,022	\$ 27,500	\$ 51,065	\$ -	\$ 944
Cash and Investment Assets - Ending							
Cash and investments	\$ 164,524	\$ 128,109	\$ 170,022	\$ 27,500	\$ 51,065	\$ -	\$ 944
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 164,524	\$ 128,109	\$ 170,022	\$ 27,500	\$ 51,065	\$ -	\$ 944
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	164,524	128,109	170,022	27,500	51,065	-	944
Total cash and investment fund balance - ending	\$ 164,524	\$ 128,109	\$ 170,022	\$ 27,500	\$ 51,065	\$ -	\$ 944

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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)

	Medicaid Reimbursement/ State	Non-English Speaking Program	Access Indiana	Math/Reading Remediation Grant	Principals' Technology	C.L.A.S.S. 2005/2006	Resource Center Minigrant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	3,269	197	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	3,269	197	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	52,770	-
Support services	19,979	-	-	-	-	14,764	-
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	19,979	-	-	-	-	67,534	-
Excess (deficiency) of receipts over disbursements	(16,710)	197	-	-	-	(67,534)	-
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	(16,710)	197	-	-	-	(67,534)	-
Cash and investments - beginning	16,710	1,030	1,587	56	500	72,508	231
Cash and investments - ending	\$ -	\$ 1,227	\$ 1,587	\$ 56	\$ 500	\$ 4,974	\$ 231
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 1,227	\$ 1,587	\$ 56	\$ 500	\$ 4,974	\$ 231
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 1,227	\$ 1,587	\$ 56	\$ 500	\$ 4,974	\$ 231
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,227	1,587	56	500	4,974	231
Total cash and investment fund balance - ending	\$ -	\$ 1,227	\$ 1,587	\$ 56	\$ 500	\$ 4,974	\$ 231

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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)

	Minigrant - Poston Road JUMP Program	C.L.A.S.S. 2004/2005	Project 4 R's	Title I FY 2006	Title I FY 2005	Title VI Project 05-120
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	500	-	-	-	-	-
Federal sources	-	-	-	494,108	100,785	7,500
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	500	-	-	494,108	100,785	7,500
Disbursements:						
Current:						
Instruction	-	4,396	-	319,453	45,649	-
Support services	-	419	-	171,623	37,676	31,488
Community services	-	-	-	14,251	3,262	-
Debt services	-	-	-	-	-	-
Total disbursements	-	4,815	-	505,327	86,587	31,488
Excess (deficiency) of receipts over disbursements	500	(4,815)	-	(11,219)	14,198	(23,988)
Other financing sources (uses):						
Transfers in	-	-	-	22,997	-	72,500
Transfers out	-	-	-	-	(22,997)	-
Total other financing sources (uses)	-	-	-	22,997	(22,997)	72,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	500	(4,815)	-	11,778	(8,799)	48,512
Cash and investments - beginning	-	4,815	4,012	-	8,799	-
Cash and investments - ending	\$ 500	\$ -	\$ 4,012	\$ 11,778	\$ -	\$ 48,512
Cash and Investment Assets - Ending						
Cash and investments	\$ 500	\$ -	\$ 4,012	\$ 11,778	\$ -	\$ 48,512
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 500	\$ -	\$ 4,012	\$ 11,778	\$ -	\$ 48,512
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	500	-	4,012	11,778	-	48,512
Total cash and investment fund balance - ending	\$ 500	\$ -	\$ 4,012	\$ 11,778	\$ -	\$ 48,512

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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 VI Project 03-228	Title VI Project 04-033	Homeless Children 2006/2007	Homeless Children 2005/2006 Transportation	Homeless Children 2004/2005	Homeless Children 2005/2006
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	9,632	55,000	10,000	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	9,632	55,000	10,000	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	659	14,966	-	-	875	52,270
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	659	14,966	-	-	875	52,270
Excess (deficiency) of receipts over disbursements	(659)	(5,334)	55,000	10,000	(875)	(52,270)
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	(659)	(5,334)	55,000	10,000	(875)	(52,270)
Cash and investments - beginning	659	15,661	-	-	875	52,270
Cash and investments - ending	\$ -	\$ 10,327	\$ 55,000	\$ 10,000	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 10,327	\$ 55,000	\$ 10,000	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 10,327	\$ 55,000	\$ 10,000	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	10,327	55,000	10,000	-	-
Total cash and investment fund balance - ending	\$ -	\$ 10,327	\$ 55,000	\$ 10,000	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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)

	Grant Number 14205-039- PY02	Grant Number 14206-039- PN01	Grant Number 14205-039- PN01	Grant Number 14204-039- PY02	Grant Number 14205-039- DY01	Grant Number 14205-039- SN01
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	765,500	236,423	-	15,646	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>765,500</u>	<u>236,423</u>	<u>-</u>	<u>15,646</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	2,794	425,325	107,402	-	8,027	1,140
Support services	11,348	339,953	78,458	10,934	6,000	446
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>14,142</u>	<u>765,278</u>	<u>185,860</u>	<u>10,934</u>	<u>14,027</u>	<u>1,586</u>
Excess (deficiency) of receipts over disbursements	<u>(14,142)</u>	<u>222</u>	<u>50,563</u>	<u>(10,934)</u>	<u>1,619</u>	<u>(1,586)</u>
Other financing sources (uses):						
Transfers in	33,308	-	-	-	-	-
Transfers out	-	-	(37,750)	-	-	-
Total other financing sources (uses)	<u>33,308</u>	<u>-</u>	<u>(37,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,166	222	12,813	(10,934)	1,619	(1,586)
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>(12,813)</u>	<u>10,934</u>	<u>-</u>	<u>1,586</u>
Cash and investments - ending	<u>\$ 19,166</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 19,166	\$ 222	\$ -	\$ -	\$ 1,619	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 19,166</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>19,166</u>	<u>222</u>	<u>-</u>	<u>-</u>	<u>1,619</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 19,166</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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)

	Grant Number 45706-039- PN01	Drug Free Schools 04-075	Drug Free Schools 05-156	Drug Free Schools 03-052	Medicaid Reimbursement - Federal	Promoting Safe and Stable Families
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	47,622	6,015	18,271	-	5,514	13,827
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	47,622	6,015	18,271	-	5,514	13,827
Disbursements:						
Current:						
Instruction	46,520	-	-	-	-	10,521
Support services	-	7,636	14,542	143	22,517	1,857
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	46,520	7,636	14,542	143	22,517	12,378
Excess (deficiency) of receipts over disbursements	1,102	(1,621)	3,729	(143)	(17,003)	1,449
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(1,102)	-	-	-	-	-
Total other financing sources (uses)	(1,102)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,621)	3,729	(143)	(17,003)	1,449
Cash and investments - beginning	-	1,621	-	143	35,641	(1,449)
Cash and investments - ending	\$ -	\$ -	\$ 3,729	\$ -	\$ 18,638	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 3,729	\$ -	\$ 18,638	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 3,729	\$ -	\$ 18,638	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	3,729	-	18,638	-
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 3,729	\$ -	\$ 18,638	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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 05-SH-095	Safe Haven 04-SH-094	Improving Teacher Quality	Enhancing Education Thru Technology	Pension Debt	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 877,524	\$ 2,552,585
State sources	-	-	-	-	-	335,473
Federal sources	11,387	-	137,535	18,069	-	2,866,311
Sale of property, adjustments and refunds	-	-	-	-	-	328
Total receipts	<u>11,387</u>	<u>-</u>	<u>137,535</u>	<u>18,069</u>	<u>877,524</u>	<u>5,754,697</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,304,472
Support services	-	35	127,999	14,059	-	3,565,229
Community services	-	-	-	-	-	17,513
Debt services	-	-	-	-	872,883	872,883
Total disbursements	<u>-</u>	<u>35</u>	<u>127,999</u>	<u>14,059</u>	<u>872,883</u>	<u>5,760,097</u>
Excess (deficiency) of receipts over disbursements	<u>11,387</u>	<u>(35)</u>	<u>9,536</u>	<u>4,010</u>	<u>4,641</u>	<u>(5,400)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	171,907
Transfers out	-	-	(70,000)	(2,500)	-	(134,349)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(2,500)</u>	<u>-</u>	<u>37,558</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,387</u>	<u>(35)</u>	<u>(60,464)</u>	<u>1,510</u>	<u>4,641</u>	<u>32,158</u>
Cash and investments - beginning	<u>-</u>	<u>35</u>	<u>57,314</u>	<u>8,568</u>	<u>449,916</u>	<u>1,174,956</u>
Cash and investments - ending	<u>\$ 11,387</u>	<u>\$ -</u>	<u>\$ (3,150)</u>	<u>\$ 10,078</u>	<u>\$ 454,557</u>	<u>\$ 1,207,114</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 11,387	\$ -	\$ (3,150)	\$ 10,078	\$ -	\$ 752,557
Restricted assets:						
Cash and investments	-	-	-	-	454,557	454,557
Total cash and investment assets - ending	<u>\$ 11,387</u>	<u>\$ -</u>	<u>\$ (3,150)</u>	<u>\$ 10,078</u>	<u>\$ 454,557</u>	<u>\$ 1,207,114</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 454,557	\$ 454,557
Unrestricted	<u>11,387</u>	<u>-</u>	<u>(3,150)</u>	<u>10,078</u>	<u>-</u>	<u>752,557</u>
Total cash and investment fund balance - ending	<u>\$ 11,387</u>	<u>\$ -</u>	<u>\$ (3,150)</u>	<u>\$ 10,078</u>	<u>\$ 454,557</u>	<u>\$ 1,207,114</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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

	Preschool Special Education	School Lunch	Textbook Rental	South Central Indiana School Study	Alternative Education Grant	Early Intervention Grant	Gifted and Talented 2006/2007
Receipts:							
Local sources	\$ 16,042	\$ 1,260,749	\$ 432,354	\$ 1,000	\$ -	\$ -	\$ -
State sources	134,331	28,721	98,539	-	16,830	48,848	20,452
Federal sources	-	891,935	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	107	-	-	-	-
Total receipts	150,373	2,181,405	531,000	1,000	16,830	48,848	20,452
Disbursements:							
Current:							
Instruction	240,128	-	-	-	1,069	42,625	18,351
Support services	18,949	2,211,406	511,852	5,520	-	-	2,101
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	259,077	2,211,406	511,852	5,520	1,069	42,625	20,452
Excess (deficiency) of receipts over disbursements	(108,704)	(30,001)	19,148	(4,520)	15,761	6,223	-
Other financing sources (uses):							
Transfers in	-	-	81,423	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	81,423	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(108,704)	(30,001)	100,571	(4,520)	15,761	6,223	-
Cash and investments - beginning	164,523	128,109	170,024	27,500	51,065	-	-
Cash and investments - ending	\$ 55,819	\$ 98,108	\$ 270,595	\$ 22,980	\$ 66,826	\$ 6,223	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 55,819	\$ 98,108	\$ 270,595	\$ 22,980	\$ 66,826	\$ 6,223	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 55,819	\$ 98,108	\$ 270,595	\$ 22,980	\$ 66,826	\$ 6,223	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	55,819	98,108	270,595	22,980	66,826	6,223	-
Total cash and investment fund balance - ending	\$ 55,819	\$ 98,108	\$ 270,595	\$ 22,980	\$ 66,826	\$ 6,223	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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
 (Continued)

	Gifted and Talented 2005/2006	Non-English Speaking Program	Access Indiana	Math/Reading Remediation Grant	Principals' Technology	C.L.A.S.S. 2005/2006	Resource Center Minigrant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	215	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	215	-	-	-	-	-
Disbursements:							
Current:							
Instruction	943	-	-	56	-	3,791	231
Support services	-	-	1,587	-	500	1,182	-
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	943	-	1,587	56	500	4,973	231
Excess (deficiency) of receipts over disbursements	(943)	215	(1,587)	(56)	(500)	(4,973)	(231)
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	(943)	215	(1,587)	(56)	(500)	(4,973)	(231)
Cash and investments - beginning	943	1,227	1,587	56	500	4,973	231
Cash and investments - ending	\$ -	\$ 1,442	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 1,442	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 1,442	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,442	-	-	-	-	-
Total cash and investment fund balance - ending	\$ -	\$ 1,442	\$ -	\$ -	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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
 (Continued)

	Minigrant - Poston Road JUMP Program	Project 4 R's	Title I FY 2006	Title I FY 2007	Title VI Project 05-120	Title VI Project 06-5925	Title VI Project 04-033
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	93,500	518,072	10,766	4,534	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	93,500	518,072	10,766	4,534	-
Disbursements:							
Current:							
Instruction	500	3,840	57,078	348,918	-	-	-
Support services	-	-	20,628	170,817	40,978	48,672	10,327
Community services	-	-	2,726	16,058	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	500	3,840	80,432	535,793	40,978	48,672	10,327
Excess (deficiency) of receipts over disbursements	(500)	(3,840)	13,068	(17,721)	(30,212)	(44,138)	(10,327)
Other financing sources (uses):							
Transfers in	-	-	24,844	-	-	106,583	-
Transfers out	-	-	(24,844)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	106,583	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(500)	(3,840)	13,068	(17,721)	(30,212)	62,445	(10,327)
Cash and investments - beginning	500	4,013	11,777	-	48,512	-	10,327
Cash and investments - ending	\$ -	\$ 173	\$ 24,845	\$ (17,721)	\$ 18,300	\$ 62,445	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 173	\$ 24,845	\$ (17,721)	\$ 18,300	\$ 62,445	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 173	\$ 24,845	\$ (17,721)	\$ 18,300	\$ 62,445	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	173	24,845	(17,721)	18,300	62,445	-
Total cash and investment fund balance - ending	\$ -	\$ 173	\$ 24,845	\$ (17,721)	\$ 18,300	\$ 62,445	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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
 (Continued)

	Homeless Children 2006/2007	Homeless Children 2005/2006 Transportation	Homeless Children 2007/2008	Serve America	Grant Number 14205-039- PY02	Grant Number 14207-039- PN01	Grant Number 14206-039- PN01
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	55,000	4,000	-	807,440	249,733
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	55,000	4,000	-	807,440	249,733
Disbursements:							
Current:							
Instruction	-	-	-	-	8,285	423,066	120,487
Support services	42,273	2,480	-	1,710	10,327	371,422	106,038
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	42,273	2,480	-	1,710	18,612	794,488	226,525
Excess (deficiency) of receipts over disbursements	(42,273)	(2,480)	55,000	2,290	(18,612)	12,952	23,208
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(555)	-	(23,430)
Total other financing sources (uses)	-	-	-	-	(555)	-	(23,430)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,273)	(2,480)	55,000	2,290	(19,167)	12,952	(222)
Cash and investments - beginning	55,000	10,000	-	-	19,167	-	222
Cash and investments - ending	\$ 12,727	\$ 7,520	\$ 55,000	\$ 2,290	\$ -	\$ 12,952	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 12,727	\$ 7,520	\$ 55,000	\$ 2,290	\$ -	\$ 12,952	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 12,727	\$ 7,520	\$ 55,000	\$ 2,290	\$ -	\$ 12,952	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	12,727	7,520	55,000	2,290	-	12,952	-
Total cash and investment fund balance - ending	\$ 12,727	\$ 7,520	\$ 55,000	\$ 2,290	\$ -	\$ 12,952	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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
 (Continued)

	Grant Number 14206-039- PY02	Grant Number 14205-039- DY01	Grant Number 45707-039- PN01	Drug Free Schools 05-156	Drug Free Schools 5925-06	Medicaid Reimbursement - Federal
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	74,222	-	46,156	5,271	19,160	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>74,222</u>	<u>-</u>	<u>46,156</u>	<u>5,271</u>	<u>19,160</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	28,506	1,000	44,072	-	-	-
Support services	7,160	396	-	9,000	16,826	194
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>35,666</u>	<u>1,396</u>	<u>44,072</u>	<u>9,000</u>	<u>16,826</u>	<u>194</u>
Excess (deficiency) of receipts over disbursements	<u>38,556</u>	<u>(1,396)</u>	<u>2,084</u>	<u>(3,729)</u>	<u>2,334</u>	<u>(194)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(223)	(2,084)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(223)</u>	<u>(2,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>38,556</u>	<u>(1,619)</u>	<u>-</u>	<u>(3,729)</u>	<u>2,334</u>	<u>(194)</u>
Cash and investments - beginning	<u>-</u>	<u>1,619</u>	<u>-</u>	<u>3,729</u>	<u>-</u>	<u>18,638</u>
Cash and investments - ending	<u>\$ 38,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,334</u>	<u>\$ 18,444</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 38,556	\$ -	\$ -	\$ -	\$ 2,334	\$ 18,444
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 38,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,334</u>	<u>\$ 18,444</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	38,556	-	-	-	2,334	18,444
Total cash and investment fund balance - ending	<u>\$ 38,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,334</u>	<u>\$ 18,444</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 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
 (Continued)

	Teaching American History	Safe Haven 05-SH-095	Improving Teacher Quality	Enhancing Education Thru Technology	Pension Debt	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 432,271	\$ 2,142,416
State sources	-	-	-	-	-	347,936
Federal sources	51,276	-	242,151	6,884	-	3,080,100
Bonds and loans	-	-	-	-	30,611	30,611
Sale of property, adjustments and refunds	-	-	-	-	-	107
Total receipts	<u>51,276</u>	<u>-</u>	<u>242,151</u>	<u>6,884</u>	<u>462,882</u>	<u>5,601,170</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,342,946
Support services	51,276	11,387	128,074	12,792	-	3,815,874
Community services	-	-	-	-	-	18,784
Debt services	-	-	-	-	870,169	870,169
Total disbursements	<u>51,276</u>	<u>11,387</u>	<u>128,074</u>	<u>12,792</u>	<u>870,169</u>	<u>6,047,773</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(11,387)</u>	<u>114,077</u>	<u>(5,908)</u>	<u>(407,287)</u>	<u>(446,603)</u>
Other financing sources (uses):						
Transfers in	-	-	2,500	-	-	215,350
Transfers out	-	-	(109,083)	-	-	(160,219)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(106,583)</u>	<u>-</u>	<u>-</u>	<u>55,131</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(11,387)</u>	<u>7,494</u>	<u>(5,908)</u>	<u>(407,287)</u>	<u>(391,472)</u>
Cash and investments - beginning	<u>-</u>	<u>11,387</u>	<u>(3,150)</u>	<u>10,078</u>	<u>454,557</u>	<u>1,207,114</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,344</u>	<u>\$ 4,170</u>	<u>\$ 47,270</u>	<u>\$ 815,642</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 4,344	\$ 4,170	\$ -	\$ 768,372
Restricted assets:						
Cash and investments	-	-	-	-	47,270	47,270
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,344</u>	<u>\$ 4,170</u>	<u>\$ 47,270</u>	<u>\$ 815,642</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 47,270	\$ 47,270
Unrestricted	-	-	4,344	4,170	-	768,372
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,344</u>	<u>\$ 4,170</u>	<u>\$ 47,270</u>	<u>\$ 815,642</u>

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

	Donation - Roselyn	Stanley Lacy Program	Scholarships	Donation - Morgan Co. Foundation	Donation - Homeless	Indiana Next Training	Professional Development	Totals
Additions:								
Contributions:								
Other	\$ -	\$ 10,000	\$ 24,625	\$ -	\$ -	\$ -	\$ -	\$ 34,625
Investment earnings:								
Interest	-	-	4,310	-	-	-	-	4,310
Total additions	-	10,000	28,935	-	-	-	-	38,935
Deductions:								
Administrative and general	-	-	17,300	-	45	-	-	17,345
Excess (deficiency) of total additions over total deductions	-	10,000	11,635	-	(45)	-	-	21,590
Cash and investment fund balance - beginning	85	-	151,966	17,716	206	506	452	170,931
Cash and Investments - June 30	<u>\$ 85</u>	<u>\$ 10,000</u>	<u>\$ 163,601</u>	<u>\$ 17,716</u>	<u>\$ 161</u>	<u>\$ 506</u>	<u>\$ 452</u>	<u>\$ 192,521</u>
Net assets:								
Cash and investments	\$ 85	\$ 10,000	\$ 163,601	\$ 17,716	\$ 161	\$ 506	\$ 452	\$ 192,521
Total net assets - cash and investment basis held in trust	<u>\$ 85</u>	<u>\$ 10,000</u>	<u>\$ 163,601</u>	<u>\$ 17,716</u>	<u>\$ 161</u>	<u>\$ 506</u>	<u>\$ 452</u>	<u>\$ 192,521</u>

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

	Donation - Roselyn	Stanley Lacy Program	Scholarships	Donation - Morgan Co. Foundation	Donation - Homeless	Indiana Next Training	Indiana Student Achievement	Professional Development	Donation - St. Francis	Totals
Additions:										
Contributions:										
Other	\$ -	\$ -	\$ 78,550	\$ -	\$ 350	\$ -	\$ 875	\$ -	\$ 2,000	\$ 81,775
Investment earnings:										
Interest	-	-	6,945	-	-	-	-	-	-	6,945
Total additions	-	-	85,495	-	350	-	875	-	2,000	88,720
Deductions:										
Administrative and general	85	7,553	38,675	-	87	506	875	452	-	48,233
Excess (deficiency) of total additions over total deductions	(85)	(7,553)	46,820	-	263	(506)	-	(452)	2,000	40,487
Cash and investment fund balance - beginning	85	10,000	163,601	17,716	161	506	-	452	-	192,521
Cash and Investments - June 30	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 210,421</u>	<u>\$ 17,716</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 233,008</u>
Net assets:										
Cash and investments	\$ -	\$ 2,447	\$ 210,421	\$ 17,716	\$ 424	\$ -	\$ -	\$ -	\$ 2,000	\$ 233,008
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 210,421</u>	<u>\$ 17,716</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 233,008</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 36,085,734
Improvements other than buildings	4,281,180
Machinery and equipment	<u>4,280,085</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 44,646,999</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended June 30, 2007

The School Corporation type has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
High School and South Elementary School	\$ 2,610,000	\$ 626,000
High School	6,100,000	389,184
Bonds payable:		
General obligation bonds:		
Finance retirement/severance liabilities	6,815,000	871,932
Total governmental activities debt	\$ 15,525,000	\$ 1,887,116

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the High School Business Professionals of America Fund was overdrawn as of June 30, 2006.

The cash balances of the High School Cheerleading Fund and the South Elementary School General Fund were overdrawn as of June 30, 2007.

The cash balance of the Improving Teacher Quality Grant Fund was overdrawn as of June 30, 2006.

The cash balance of the Title I FY 2007 Grant Fund was overdrawn as of June 30, 2007.

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 Extra-Curricular Accounts, Chapter 7)

INVESTMENT MATURITY LIMITATIONS

The School Corporation purchased Scholarship Fund Certificates of Deposit, which have a stated maturity in excess of two years. The Extra-Curricular Fund purchased a Certificate of Deposit with a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states in part:

" . . . investments made . . . must have a stated final maturity of not more than . . . two (2) years . . . after the date of purchase . . ."

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

The information presented for audit indicates 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 AUDIT RESULTS AND COMMENTS
 (Continued)

The enrollment count date for 2006-2007 was September 15, 2006. The difference between the count reported on the ADM and the verified figures are shown below:

School Year	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Difference
2006-2007	Kindergarten	216.50	217.50	1.00
2006-2007	1 Through 12	5,200.00	5,204.00	4.00

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)

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates honors diploma figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the class of 2004-2005, reported during the fall of 2005.

The difference between the number reported on the honors diploma and the verified figures are shown below:

School Year	Count as Reported on Form Number 30A	Actual Honors Diploma Figures	Difference
2004-2005	51	50	1

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE, MORGAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of Martinsville (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 non-compliance 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 2007-1.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

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)

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.

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.

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.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is 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, Board of Trustees, 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

March 13, 2008

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 156,071	\$ 167,850
National School Lunch Program	10.555		767,084	814,483
Total for cluster			923,155	982,333
Fresh Fruit and Vegetable Program	10.582		49,424	62,675
Total for federal grantor agency			972,579	1,045,008
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education-Grants to States	84.027			
14205-039-PN01			190,302	-
14205-039-SN01			1,528	-
14205-039-DY01			14,027	1,611
14205-039-PY02			14,141	19,167
14206-039-PN01			765,278	249,956
14206-039-PY02			-	35,666
14207-039-PN01			-	794,487
Total for program			985,276	1,100,887
Special Education - Preschool Grants	84.173			
45706-039-PN01			47,622	-
45707-039-PN01			-	46,156
Total for program			47,622	46,156
Total for cluster			1,032,898	1,147,043
Direct Grant				
Fund for the Improvement of Education	84.215			
U215X060296			-	51,276
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
05-5925			109,584	-
06-5925			505,328	105,276
07-5925			-	535,792
Total for program			614,912	641,068
Safe and Drug Free Schools and Communities - State Grants	84.186			
03-052			143	-
04-075			7,636	-
05-156			14,541	9,000
5925-06			-	16,826
Total for program			22,320	25,826
Education for Homeless Children and Youth	84.196			
FY 04-05			875	-
FY 05-06			52,270	-
FY 05-06 Transportation			-	2,480
FY 06-07			-	42,273
Total for program			53,145	44,753

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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)				
State Grants for Innovative Programs	84.298			
03-228			254	-
04-033			14,966	10,327
05-120			31,488	40,978
06-5925			-	48,672
			<u>46,708</u>	<u>99,977</u>
Total for program				
Education Technology State Grants	84.318			
FY 03-04			8,230	-
FY 04-05			5,491	8,671
FY 05-06			2,500	4,119
			<u>16,221</u>	<u>12,790</u>
Total for program				
Improving Teacher Quality State Grants	84.367			
03-157			14,671	-
04-062			60,510	-
05-131			122,234	94,208
06-5925			-	142,949
			<u>197,415</u>	<u>237,157</u>
Total for program				
Total for federal grantor agency			<u>1,983,619</u>	<u>2,259,890</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Family and Social Services Administration				
Promoting Safe and Stable Families	93.556			
FY 05-06			12,378	-
			<u>12,378</u>	<u>-</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
FY 07			-	1,710
			<u>-</u>	<u>1,710</u>
Total federal awards expended			<u>\$ 2,968,576</u>	<u>\$ 3,306,608</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
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 Martinsville (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
Child Nutrition Cluster	10.555	\$ 106,532	\$ 90,398

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	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	Child Nutrition Cluster
84.367	Special Education Cluster
	Title I Grants to Local Educational Agencies
	Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-1, CASH MANAGEMENT

Federal Agency: U. S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, Special Education Cluster
and Improving Teacher Quality State Grants

CFDA Numbers: 84.010, 84.027 and 84.367

Pass-Through Entity: Indiana Department of Education

The Metropolitan School District of Martinsville has not implemented internal controls to minimize the time elapsing between the transfer of funds and their disbursement. The actual funds on hand exceeded 10% of the months' expenditures in 14 of 24 months for Title I, 4 of 26 months for Special Education and 16 of 33 months for Improving Teacher Quality. Negative cash balances also existed at the end of the month in 2 of 24 months for Title I, 10 of 26 months for Special Education and 6 of 33 months for Improving Teacher Quality.

EDGAR 80.20(b)(7) states in part:

"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."

We recommended that the Metropolitan School District of Martinsville attempt to match the draw-down requests included in the grant applications with their anticipated expenditures in order to minimize the amount of cash on hand.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-1

Original SBA Audit Report Number: B27122

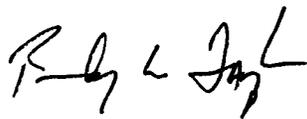
Fiscal Year 2003-2005

Auditee Contact Person Randy Taylor

Title of Contact Person Assistant Superintendent

Phone Number 765-342-6641

Status of Finding: We contracted with American Appraisal Associates to bring our fixed asset accounting up-to-date through June 30, 2006. For the period July 1, 2006 through June 30, 2007, the accounting was updated on site and was complete as of 12/31/07. It is our intent to update the fixed assets monthly.



Mar 13, 2008

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-2

Original SBA Audit Report Number: B27122

Fiscal Year 2003-2005

Auditee Contact Person Sandra Hart

Title of Contact Person Treasurer

Phone Number 765-342-6641

Status of Finding: Cash balances are monitored monthly. Cash requests are made a month in advance of the expenditure of funds, therefore, next month expenses are estimated as accurately as possible to minimize cash on hand. When possible, payment of invoices or extra payroll amounts not anticipated has been held until they could be included in the next distribution of funds. It should be noted that on occasion, requested changes to our monthly distribution were not made by the State agency, and in addition monthly distributions were not made by the Auditor of State. It should also be noted that in regard to Title I distributions, these funds may be spent through September 30th; however, we are required to receive all funds by July 30th.

Sandra Hart 3/13/08

Metropolitan School District of Martinsville

**P.O. Box 1416
460 South Main Street
Martinsville, Indiana 46151
Telephone 765-342-6641
FAX 765-342-6877**

Board of Education

**Randy Wells, President
Charles Sampson, Vice President
Mary Lou Thomas, Secretary
Stephen Hardin, Member
Kenny Costin, Member**

Superintendent

**Ron Furniss
Assistant Superintendent, Business
Randy Taylor
Assistant Superintendent, Instruction
Jerry Sanders
Treasurer
Sandra Hart**

CORRECTIVE ACTION PLAN

FINDING NO. 2007-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education

**Federal Program: Title I Grants to Local Educational Agency, Special Education
Cluster and Improving Teacher Quality State Grants**

CFDA Numbers: 84.010, 84.027 and 84.367

Pass-Through Entity: Indiana Department of Education

Corrective Action: Cash balances are monitored monthly and cash requests are made a month in advance of the expenditure of funds. Therefore, next month expenses are estimated as accurately as possible to minimize cash on hand. When possible, payments not anticipated will be held until they can be included in the next distribution of funds. It should also be noted that on occasion, requested changes to our monthly distribution were not made by the State agency. In addition some monthly distributions were not made by the Auditor of State. It should also be noted that in regard to Title I distributions, these funds may be spent through September 30th; however, we are required to request all funds by July 30th. The Title I Director is making every effort to expend all funds by July 30th.


Sandra K. Hart

3/12/08
Date

**Good Schools Becoming
Better**

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2008, with Ronald Furniss, Superintendent of Schools; Randy L. Taylor, Assistant Superintendent of Business; Sandra K. Hart, Treasurer; and Kim Larue, Extra-Curricular Account Treasurer. The officials concurred with our audit findings.