

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MARION COMMUNITY SCHOOLS  
GRANT COUNTY, INDIANA

July 1, 2011 to June 30, 2012



**FILED**  
01/29/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James E. McWhirt	07-01-11 to 06-30-13
Superintendent of Schools	Stephen L. Edwards	07-01-11 to 06-30-13
President of the School Board	Aaron W. Vermilion Dr. Harry Hall Aaron W. Vermilion	01-12-11 to 01-10-12 01-11-12 to 03-18-12 03-19-12 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MARION COMMUNITY SCHOOLS, GRANT COUNTY, INDIANA

We have audited the accompanying financial statement of the Marion Community Schools (School Corporation), for the year ended June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the year ended June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 8, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

INDEPENDENT AUDITOR'S REPORT  
(Continued)

and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

STATE BOARD OF ACCOUNTS

January 8, 2013



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

TO: THE OFFICIALS OF THE MARION COMMUNITY SCHOOLS, GRANT COUNTY, INDIANA

We have audited the financial statement of the Marion Community Schools (School Corporation), for the year ended June 30, 2012, and have issued our report thereon dated January 8, 2013. 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is 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, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 8, 2013

## FINANCIAL STATEMENT

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

MARION COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2012

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 15,185,682	\$ 32,407,350	\$ 28,141,155	\$ 6,505	\$ 19,458,382
Debt Service	1,043,374	1,545,957	1,786,592	-	802,739
Retirement/Severance Bond Debt Service	126,455	1,379,429	1,284,224	-	221,660
Capital Projects	3,646,964	3,556,707	3,808,339	-	3,395,332
School Transportation	947,180	2,067,091	2,294,153	47,460	767,578
School Bus Replacement	263,536	289,159	458,164	-	94,531
Food Service	1,161,100	1,957,852	1,982,052	-	1,136,900
Textbook Rental	273,732	360,831	784,570	-	(150,007)
Self-Insurance	984,963	3,713	-	-	988,676
Levy Excess	63,540	-	-	-	63,540
Alternative Education	103,671	17,754	-	-	121,425
Safe Haven	-	20,000	20,000	-	-
In and Out Account	12,313	54,475	56,010	(918)	9,860
Central Indiana Ethanol	20,000	-	12,408	-	7,592
Grant County Food Service Donation	709	-	65	-	644
Griffin Bequest	-	271,997	-	-	271,997
MJ Lowe Bequest	1,522	-	208	-	1,314
Maurice Andrea - McCulloch	766	-	-	-	766
Attendance	2,111	-	-	-	2,111
Mary Clark Hanley Awards	510	3,225	3,225	-	510
Dee Fager Memorial	321	1	125	-	197
Anthony Swain Grant	105	-	-	-	105
Miscellaneous Scholarships	-	1,000	1,000	-	-
Charles Math Scholar	40,697	153	1,000	-	39,850
Glen Allen Memorial	18	-	-	-	18
Dick Looten Scholarship	7,595	29	200	-	7,424
Seybold Scholarship	42	-	-	-	42
Mark Longenecker Scholarship	5,275	20	250	-	5,045
Friends of Asherwood Project	6,890	-	-	-	6,890
Insurance Claims Payments - McCulloch	3,531	-	-	-	3,531
Miscellaneous Mini Grants	10,228	3,204	3,487	-	9,945
Indiana State License Practical Nurses	738	-	400	-	338
Early Childhood Education	299	-	-	-	299
Wal Mart Grant	306	-	-	-	306
Dolgencorp Gray Construction Tucker	1,795	-	-	-	1,795
High Ability 2011	41,497	-	41,497	-	-
High Ability 2012	-	41,096	40,640	-	456
Non-English Speaking 2011	2,711	-	2,711	-	-
Non-English Speaking 2012	-	16,064	16,064	-	-
State Connectivity	2,343	2,959	-	-	5,302
E-Rate Technology	443,280	83,130	39,453	-	486,957
Title I School Improvement 2010 Allen	(143,577)	217,264	73,951	-	(264)
Title I School Improvement 2010 Slocum	(111,573)	189,254	86,952	-	(9,271)
Title I School Improvement 2011-12	-	113,427	113,427	-	-
Title I Delinquent 2011	(20,118)	66,292	25,023	(21,151)	-
Title I Delinquent 2012	-	60,271	91,475	21,151	(10,053)
Title I 11-2865	(876,773)	1,456,007	579,234	-	-
Title I 12-2865	-	1,362,323	1,591,617	(47,460)	(276,754)
Title I C Migrant 10/11	(9,705)	30,444	20,739	-	-
Title I C Migrant 11/12	-	49,758	70,693	-	(20,935)
Stewart McKinney 11/12	-	24,891	53,729	-	(28,838)
Assistive Technology Grant	-	67,064	67,064	-	-
IDEA 2012	-	528,755	590,863	-	(62,108)
IDEA 2011	(171,005)	391,214	220,209	-	-
IDEA Preschool 2011	-	30,678	34,421	-	(3,743)
IDEA Preschool 2010	(18,795)	26,905	8,110	-	-
Title II Adult Basic Education 2012	-	115,360	165,212	-	(49,852)
Title II Adult Basic Education 2011	16,720	466	17,186	-	-

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

MARION COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2012  
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
Drug-Free Schools 2009	(1,153)	-	8,460	(31,188)	(40,801)
Drug-Free Schools 2008	-	-	25,524	25,524	-
Carl Perkins 6/30/12	-	120,515	139,189	-	(18,674)
Carl Perkins 2011	(16,622)	56,115	39,493	-	-
Carl Perkins 2012	(6)	-	(6)	-	-
Medicaid Reimbursement - Federal	161,822	-	47,482	-	114,340
Pell Grant	-	410,159	410,159	-	-
Head Start CDA Training 2009	1,996	-	-	(1,996)	-
Head Start 2011	(162,259)	610,538	450,275	1,996	-
Head Start T and TA 2011	(1,401)	14,089	12,688	-	-
Head Start 2012	-	445,958	509,686	-	(63,728)
Head Start T and TA 2012	-	10,056	11,591	-	(1,535)
Enhancing Education Through Technology 2006	277	-	-	-	277
Improving Teacher Quality 2008	(457)	-	(457)	-	-
Title II Improving Teacher Quality 10/12	(135,021)	427,935	310,017	-	(17,103)
Title II Improving Teacher Quality 9/11	(166,203)	440,728	274,525	-	-
Title II Improving Teacher Quality 11/13	-	188,600	199,489	-	(10,889)
Title III Language Instruction 2012	-	17,452	17,835	-	(383)
Title III Language Instruction 2011	(796)	3,008	2,212	-	-
TAP Grant	43	738,409	759,713	-	(21,261)
TAP Grant Year 3	-	-	323	-	(323)
Title I ARRA (Stimulus) 10/11	(340,694)	452,896	117,857	-	(5,655)
Special Education ARRA (Stimulus) 10/11	(49,939)	379,290	329,428	77	-
Special Education Preschool ARRA (Stimulus) 10/11	-	-	20,778	-	-
McKinney - Vento ARRA (Stimulus)	69,922	25,593	94,813	-	702
Education Jobs	-	832,257	832,257	-	-
Clearing Accounts P/R Y-T-D	258,827	-	1,353	-	257,474
Federal Withholding Tax	-	2,447,530	2,447,530	-	-
OASDI and Medicare Non-Certified	-	464,370	464,370	-	-
OASDI and Medicare Certified	-	846,071	846,071	-	-
State and County Tax	164	1,226,266	1,226,266	-	164
Public Employees Retirement	14,975	71,419	68,958	-	17,436
Teachers Retirement	3,929	15,089	15,688	-	3,330
Annuities	221	676,889	674,648	-	2,462
Teacher Health Insurance	414,960	741,048	1,107,269	-	48,739
Vision Insurance	9,517	20,852	26,345	-	4,024
Health Insurance All Others	49,374	179,478	213,797	-	15,055
Life Insurance	12	623	553	-	82
United Fund	306	8,236	8,532	-	10
Credit Union	4,721	100,557	105,278	-	-
American Fidelity Supplemental	21,951	218,470	214,593	-	25,828
Out-of-Pocket Medical Section 125	32,035	369,270	382,838	-	18,467
Child Care Section 125	236	344	(1,887)	-	2,467
Section 125 Fee	1,117	-	-	-	1,117
Teacher Dental	20,195	142,890	112,154	-	50,931
Dental All Others	1,000	46,490	22,024	-	25,466
Teacher Union Dues	514	117,619	117,620	-	513
Garnishment Wage Assignment	345	44,780	43,707	-	1,418
Child Support State Filed	2,971	57,335	60,100	-	206
Annual Child Support Court Fee	30	130	160	-	-
Long Term Disability Insurance	434	6,024	4,141	-	2,317
YMCA	629	19,302	19,931	-	-
Fringe Benefit Clearing	-	1,599	1,599	-	-
<b>Totals</b>	<b>\$ 23,289,723</b>	<b>\$ 61,809,848</b>	<b>\$ 57,384,866</b>	<b>\$ -</b>	<b>\$ 27,714,705</b>

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

MARION COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

MARION COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*E. Disbursements*

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

*F. Other Financing Sources and Uses*

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

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

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

MARION COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

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

*H. Negative Receipts and Disbursements*

Negative receipts and disbursements are reclassification entries made to correct previous postings to a fund or a receipt or disbursement category within a fund.

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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

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

MARION COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

MARION COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teacher's Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Food Service
Cash and investments - beginning	\$ 15,185,682	\$ 1,043,374	\$ 126,455	\$ 3,646,964	\$ 947,180	\$ 263,536	\$ 1,161,100
Receipts:							
Local sources	996,247	1,545,957	1,379,429	3,556,707	2,067,495	289,159	310,440
Intermediate sources	6,405	-	-	-	-	-	-
State sources	31,321,678	-	-	-	(404)	-	8,958
Federal sources	82,866	-	-	-	-	-	1,634,652
Other	154	-	-	-	-	-	3,802
Total receipts	<u>32,407,350</u>	<u>1,545,957</u>	<u>1,379,429</u>	<u>3,556,707</u>	<u>2,067,091</u>	<u>289,159</u>	<u>1,957,852</u>
Disbursements:							
Current:							
Instruction	16,715,779	-	-	-	-	-	-
Support services	10,633,315	-	-	2,216,165	2,294,153	458,164	166,540
Noninstructional services	473,099	-	-	-	-	-	1,815,512
Facilities acquisition and construction	318,962	-	-	1,592,174	-	-	-
Debt services	-	1,786,592	1,284,224	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>28,141,155</u>	<u>1,786,592</u>	<u>1,284,224</u>	<u>3,808,339</u>	<u>2,294,153</u>	<u>458,164</u>	<u>1,982,052</u>
Excess (deficiency) of receipts over disbursements	<u>4,266,195</u>	<u>(240,635)</u>	<u>95,205</u>	<u>(251,632)</u>	<u>(227,062)</u>	<u>(169,005)</u>	<u>(24,200)</u>
Other financing sources (uses):							
Transfers in	6,582	-	-	-	47,460	-	-
Transfers out	(77)	-	-	-	-	-	-
Total other financing sources (uses)	<u>6,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,460</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,272,700</u>	<u>(240,635)</u>	<u>95,205</u>	<u>(251,632)</u>	<u>(179,602)</u>	<u>(169,005)</u>	<u>(24,200)</u>
Cash and investments - ending	<u>\$ 19,458,382</u>	<u>\$ 802,739</u>	<u>\$ 221,660</u>	<u>\$ 3,395,332</u>	<u>\$ 767,578</u>	<u>\$ 94,531</u>	<u>\$ 1,136,900</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	Safe Haven	In and Out Account	Central Indiana Ethanol
Cash and investments - beginning	\$ 273,732	\$ 984,963	\$ 63,540	\$ 103,671	\$ -	\$ 12,313	\$ 20,000
Receipts:							
Local sources	140,906	3,713	-	-	-	54,475	-
Intermediate sources	-	-	-	-	-	-	-
State sources	219,925	-	-	17,754	20,000	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>360,831</u>	<u>3,713</u>	<u>-</u>	<u>17,754</u>	<u>20,000</u>	<u>54,475</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	784,570	-	-	-	20,000	55,260	12,408
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	750	-
Total disbursements	<u>784,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>56,010</u>	<u>12,408</u>
Excess (deficiency) of receipts over disbursements	<u>(423,739)</u>	<u>3,713</u>	<u>-</u>	<u>17,754</u>	<u>-</u>	<u>(1,535)</u>	<u>(12,408)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(918)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(918)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(423,739)</u>	<u>3,713</u>	<u>-</u>	<u>17,754</u>	<u>-</u>	<u>(2,453)</u>	<u>(12,408)</u>
Cash and investments - ending	<u>\$ (150,007)</u>	<u>\$ 988,676</u>	<u>\$ 63,540</u>	<u>\$ 121,425</u>	<u>\$ -</u>	<u>\$ 9,860</u>	<u>\$ 7,592</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Grant County Food Service Donation	Griffin Bequest	MJ Lowe Bequest	Maurice Andrea - McCulloch	Attendance	Mary Clark Hanley Awards	Dee Fager Memorial
Cash and investments - beginning	\$ 709	\$ -	\$ 1,522	\$ 766	\$ 2,111	\$ 510	\$ 321
Receipts:							
Local sources	-	271,997	-	-	-	3,225	1
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	271,997	-	-	-	3,225	1
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	208	-	-	-	-
Noninstructional services	65	-	-	-	-	3,225	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	125
Total disbursements	65	-	208	-	-	3,225	125
Excess (deficiency) of receipts over disbursements	(65)	271,997	(208)	-	-	-	(124)
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	(65)	271,997	(208)	-	-	-	(124)
Cash and investments - ending	\$ 644	\$ 271,997	\$ 1,314	\$ 766	\$ 2,111	\$ 510	\$ 197

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Anthony Swain Grant	Miscellaneous Scholarships	Charles Math Scholar	Glen Allen Memorial	Dick Looten Scholarship	Seybold Scholarship	Mark Longenecker Scholarship
Cash and investments - beginning	\$ 105	\$ -	\$ 40,697	\$ 18	\$ 7,595	\$ 42	\$ 5,275
Receipts:							
Local sources	-	1,000	153	-	29	-	20
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	1,000	153	-	29	-	20
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	500	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	500	1,000	-	200	-	250
Total disbursements	-	1,000	1,000	-	200	-	250
Excess (deficiency) of receipts over disbursements	-	-	(847)	-	(171)	-	(230)
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	-	-	(847)	-	(171)	-	(230)
Cash and investments - ending	\$ 105	\$ -	\$ 39,850	\$ 18	\$ 7,424	\$ 42	\$ 5,045

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Friends of Asherwood Project	Insurance Claims Payments - McCulloch	Miscellaneous Mini Grants	Indiana State License Practical Nurses	Early Childhood Education	Wal Mart Grant	Dolgencorp Gray Construction Tucker
Cash and investments - beginning	\$ 6,890	\$ 3,531	\$ 10,228	\$ 738	\$ 299	\$ 306	\$ 1,795
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	3,204	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	3,204	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	3,436	-	-	-	-
Support services	-	-	51	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	400	-	-	-
Total disbursements	-	-	3,487	400	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	(283)	(400)	-	-	-
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	-	-	(283)	(400)	-	-	-
Cash and investments - ending	\$ 6,890	\$ 3,531	\$ 9,945	\$ 338	\$ 299	\$ 306	\$ 1,795

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	High Ability 2011	High Ability 2012	Non-English Speaking 2011	Non-English Speaking 2012	State Connectivity	E-Rate Technology	Title I School Improvement 2010 Allen
Cash and investments - beginning	\$ 41,497	\$ -	\$ 2,711	\$ -	\$ 2,343	\$ 443,280	\$ (143,577)
Receipts:							
Local sources	-	-	-	-	-	15,200	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	41,096	-	16,064	2,959	-	-
Federal sources	-	-	-	-	-	67,930	217,264
Other	-	-	-	-	-	-	-
Total receipts	-	41,096	-	16,064	2,959	83,130	217,264
Disbursements:							
Current:							
Instruction	40,969	36,748	(3,046)	16,064	-	-	32,324
Support services	528	3,892	5,757	-	-	39,453	41,627
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	41,497	40,640	2,711	16,064	-	39,453	73,951
Excess (deficiency) of receipts over disbursements	(41,497)	456	(2,711)	-	2,959	43,677	143,313
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	(41,497)	456	(2,711)	-	2,959	43,677	143,313
Cash and investments - ending	\$ -	\$ 456	\$ -	\$ -	\$ 5,302	\$ 486,957	\$ (264)

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Title I School Improvement 2010 Slocum	Title I School Improvement 2011-12	Title I Delinquent 2011	Title I Delinquent 2012	Title I 11-2865	Title I 12-2865	Title I C Migrant 10/11
Cash and investments - beginning	\$ (111,573)	\$ -	\$ (20,118)	\$ -	\$ (876,773)	\$ -	\$ (9,705)
Receipts:							
Local sources	-	-	-	-	-	1,123	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	189,254	113,427	66,292	60,271	1,456,007	1,361,200	30,444
Other	-	-	-	-	-	-	-
Total receipts	<u>189,254</u>	<u>113,427</u>	<u>66,292</u>	<u>60,271</u>	<u>1,456,007</u>	<u>1,362,323</u>	<u>30,444</u>
Disbursements:							
Current:							
Instruction	34,125	112,127	18,046	64,951	274,366	790,095	11,325
Support services	52,827	1,300	6,977	26,524	271,360	781,285	7,818
Noninstructional services	-	-	-	-	6,808	20,237	96
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	26,700	-	1,500
Total disbursements	<u>86,952</u>	<u>113,427</u>	<u>25,023</u>	<u>91,475</u>	<u>579,234</u>	<u>1,591,617</u>	<u>20,739</u>
Excess (deficiency) of receipts over disbursements	<u>102,302</u>	<u>-</u>	<u>41,269</u>	<u>(31,204)</u>	<u>876,773</u>	<u>(229,294)</u>	<u>9,705</u>
Other financing sources (uses):							
Transfers in	-	-	-	21,151	-	-	-
Transfers out	-	-	(21,151)	-	-	(47,460)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,151)</u>	<u>21,151</u>	<u>-</u>	<u>(47,460)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>102,302</u>	<u>-</u>	<u>20,118</u>	<u>(10,053)</u>	<u>876,773</u>	<u>(276,754)</u>	<u>9,705</u>
Cash and investments - ending	<u>\$ (9,271)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,053)</u>	<u>\$ -</u>	<u>\$ (276,754)</u>	<u>\$ -</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Title I C Migrant 11/12	Stewart McKinney 11/12	Assistive Technology Grant	IDEA 2012	IDEA 2011	IDEA Preschool 2011	IDEA Preschool 2010
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (171,005)	\$ -	\$ (18,795)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	30,678	26,905
Federal sources	49,758	24,891	67,064	528,755	391,214	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>49,758</u>	<u>24,891</u>	<u>67,064</u>	<u>528,755</u>	<u>391,214</u>	<u>30,678</u>	<u>26,905</u>
Disbursements:							
Current:							
Instruction	64,839	-	-	436,034	171,596	7,755	-
Support services	5,854	53,729	67,064	154,829	48,613	26,666	8,110
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>70,693</u>	<u>53,729</u>	<u>67,064</u>	<u>590,863</u>	<u>220,209</u>	<u>34,421</u>	<u>8,110</u>
Excess (deficiency) of receipts over disbursements	<u>(20,935)</u>	<u>(28,838)</u>	<u>-</u>	<u>(62,108)</u>	<u>171,005</u>	<u>(3,743)</u>	<u>18,795</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(20,935)</u>	<u>(28,838)</u>	<u>-</u>	<u>(62,108)</u>	<u>171,005</u>	<u>(3,743)</u>	<u>18,795</u>
Cash and investments - ending	<u>\$ (20,935)</u>	<u>\$ (28,838)</u>	<u>\$ -</u>	<u>\$ (62,108)</u>	<u>\$ -</u>	<u>\$ (3,743)</u>	<u>\$ -</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Title II Adult Basic Education 2012	Title II Adult Basic Education 2011	Drug-Free Schools 2009	Drug-Free Schools 2008	Carl Perkins 6/30/12	Carl Perkins 2011	Carl Perkins 2012
Cash and investments - beginning	\$ -	\$ 16,720	\$ (1,153)	\$ -	\$ -	\$ (16,622)	\$ (6)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	115,360	466	-	-	120,515	56,115	-
Other	-	-	-	-	-	-	-
Total receipts	<u>115,360</u>	<u>466</u>	<u>-</u>	<u>-</u>	<u>120,515</u>	<u>56,115</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	164,506	2,253	-	-	50,310	34,413	-
Support services	706	(4,113)	7,417	25,524	80,105	5,080	(6)
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	19,046	-	-	8,774	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,043	-	-	-	-
Total disbursements	<u>165,212</u>	<u>17,186</u>	<u>8,460</u>	<u>25,524</u>	<u>139,189</u>	<u>39,493</u>	<u>(6)</u>
Excess (deficiency) of receipts over disbursements	<u>(49,852)</u>	<u>(16,720)</u>	<u>(8,460)</u>	<u>(25,524)</u>	<u>(18,674)</u>	<u>16,622</u>	<u>6</u>
Other financing sources (uses):							
Transfers in	-	-	-	25,524	-	-	-
Transfers out	-	-	(31,188)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(31,188)</u>	<u>25,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(49,852)</u>	<u>(16,720)</u>	<u>(39,648)</u>	<u>-</u>	<u>(18,674)</u>	<u>16,622</u>	<u>6</u>
Cash and investments - ending	<u>\$ (49,852)</u>	<u>\$ -</u>	<u>\$ (40,801)</u>	<u>\$ -</u>	<u>\$ (18,674)</u>	<u>\$ -</u>	<u>\$ -</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Medicaid Reimbursement - Federal	Pell Grant	Head Start CDA Training 2009	Head Start 2011	Head Start T and TA 2011	Head Start 2012	Head Start T and TA 2012
Cash and investments - beginning	\$ 161,822	\$ -	\$ 1,996	\$ (162,259)	\$ (1,401)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	410,159	-	610,538	14,089	445,958	10,056
Other	-	-	-	-	-	-	-
Total receipts	-	410,159	-	610,538	14,089	445,958	10,056
Disbursements:							
Current:							
Instruction	2,962	410,159	-	246,246	-	275,146	-
Support services	44,520	-	-	142,316	12,688	149,221	11,591
Noninstructional services	-	-	-	61,713	-	85,319	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	47,482	410,159	-	450,275	12,688	509,686	11,591
Excess (deficiency) of receipts over disbursements	(47,482)	-	-	160,263	1,401	(63,728)	(1,535)
Other financing sources (uses):							
Transfers in	-	-	-	1,996	-	-	-
Transfers out	-	-	(1,996)	-	-	-	-
Total other financing sources (uses)	-	-	(1,996)	1,996	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(47,482)	-	(1,996)	162,259	1,401	(63,728)	(1,535)
Cash and investments - ending	\$ 114,340	\$ -	\$ -	\$ -	\$ -	\$ (63,728)	\$ (1,535)

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Enhancing Education Through Technology 2006	Improving Teacher Quality 2008	Title II Improving Teacher Quality 10/12	Title II Improving Teacher Quality 9/11	Title II Improving Teacher Quality 11/13	Title III Language Instruction 2012	Title III Language Instruction 2011
Cash and investments - beginning	\$ 277	\$ (457)	\$ (135,021)	\$ (166,203)	\$ -	\$ -	\$ (796)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	427,935	440,728	188,600	17,452	3,008
Other	-	-	-	-	-	-	-
Total receipts	-	-	427,935	440,728	188,600	17,452	3,008
Disbursements:							
Current:							
Instruction	-	-	27,784	-	-	17,224	(1,220)
Support services	-	(457)	282,233	253,305	199,489	227	3,432
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	21,220	-	384	-
Total disbursements	-	(457)	310,017	274,525	199,489	17,835	2,212
Excess (deficiency) of receipts over disbursements	-	457	117,918	166,203	(10,889)	(383)	796
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	-	457	117,918	166,203	(10,889)	(383)	796
Cash and investments - ending	\$ 277	\$ -	\$ (17,103)	\$ -	\$ (10,889)	\$ (383)	\$ -

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	TAP Grant	TAP Grant Year 3	Title I ARRA (Stimulus) 10/11	Special Education ARRA (Stimulus) 10/11	Special Education Preschool ARRA (Stimulus) 10/11	McKinney - Vento ARRA (Stimulus)	Education Jobs
Cash and investments - beginning	\$ 43	\$ -	\$ (340,694)	\$ (49,939)	\$ 20,778	\$ 69,922	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	379,290	-	-	-
Federal sources	738,409	-	452,896	-	-	25,593	832,257
Other	-	-	-	-	-	-	-
Total receipts	<u>738,409</u>	<u>-</u>	<u>452,896</u>	<u>379,290</u>	<u>-</u>	<u>25,593</u>	<u>832,257</u>
Disbursements:							
Current:							
Instruction	734,656	323	798	103,073	2,749	-	628,838
Support services	25,057	-	104,759	84,532	18,029	94,813	164,084
Noninstructional services	-	-	12,300	-	-	-	39,335
Facilities acquisition and construction	-	-	-	139,323	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,500	-	-	-
Total disbursements	<u>759,713</u>	<u>323</u>	<u>117,857</u>	<u>329,428</u>	<u>20,778</u>	<u>94,813</u>	<u>832,257</u>
Excess (deficiency) of receipts over disbursements	<u>(21,304)</u>	<u>(323)</u>	<u>335,039</u>	<u>49,862</u>	<u>(20,778)</u>	<u>(69,220)</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	77	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(21,304)</u>	<u>(323)</u>	<u>335,039</u>	<u>49,939</u>	<u>(20,778)</u>	<u>(69,220)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (21,261)</u>	<u>\$ (323)</u>	<u>\$ (5,655)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 702</u>	<u>\$ -</u>

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Clearing Accounts P/R Y-T-D	Federal Withholding Tax	OASDI and Medicare Non-Certified	OASDI and Medicare Certified	State and County Tax	Public Employees Retirement	Teachers Retirement
Cash and investments - beginning	\$ 258,827	\$ -	\$ -	\$ -	\$ 164	\$ 14,975	\$ 3,929
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	2,447,530	464,370	846,071	1,226,266	71,419	15,089
Total receipts	-	2,447,530	464,370	846,071	1,226,266	71,419	15,089
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	1,353	2,447,530	464,370	846,071	1,226,266	68,958	15,688
Total disbursements	1,353	2,447,530	464,370	846,071	1,226,266	68,958	15,688
Excess (deficiency) of receipts over disbursements	(1,353)	-	-	-	-	2,461	(599)
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	(1,353)	-	-	-	-	2,461	(599)
Cash and investments - ending	\$ 257,474	\$ -	\$ -	\$ -	\$ 164	\$ 17,436	\$ 3,330

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Annuities	Teacher Health Insurance	Vision Insurance	Health Insurance All Others	Life Insurance	United Fund	Credit Union
Cash and investments - beginning	\$ 221	\$ 414,960	\$ 9,517	\$ 49,374	\$ 12	\$ 306	\$ 4,721
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	676,889	741,048	20,852	179,478	623	8,236	100,557
Total receipts	676,889	741,048	20,852	179,478	623	8,236	100,557
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	674,648	1,107,269	26,345	213,797	553	8,532	105,278
Total disbursements	674,648	1,107,269	26,345	213,797	553	8,532	105,278
Excess (deficiency) of receipts over disbursements	2,241	(366,221)	(5,493)	(34,319)	70	(296)	(4,721)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,241	(366,221)	(5,493)	(34,319)	70	(296)	(4,721)
Cash and investments - ending	\$ 2,462	\$ 48,739	\$ 4,024	\$ 15,055	\$ 82	\$ 10	\$ -

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	American Fidelity Supplemental	Out-of-Pocket Medical Section 125	Child Care Section 125	Section 125 Fee	Teacher Dental	Dental All Others	Teacher Union Dues
Cash and investments - beginning	\$ 21,951	\$ 32,035	\$ 236	\$ 1,117	\$ 20,195	\$ 1,000	\$ 514
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	218,470	369,270	344	-	142,890	46,490	117,619
Total receipts	218,470	369,270	344	-	142,890	46,490	117,619
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	214,593	382,838	(1,887)	-	112,154	22,024	117,620
Total disbursements	214,593	382,838	(1,887)	-	112,154	22,024	117,620
Excess (deficiency) of receipts over disbursements	3,877	(13,568)	2,231	-	30,736	24,466	(1)
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	3,877	(13,568)	2,231	-	30,736	24,466	(1)
Cash and investments - ending	\$ 25,828	\$ 18,467	\$ 2,467	\$ 1,117	\$ 50,931	\$ 25,466	\$ 513

MARION COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Garnishment Wage Assignment	Child Support State Filed	Annual Child Support Court Fee	Long Term Disability Insurance	YMCA	Fringe Benefit Clearing	Totals
Cash and investments - beginning	\$ 345	\$ 2,971	\$ 30	\$ 434	\$ 629	\$ -	\$ 23,289,723
Receipts:							
Local sources	-	-	-	-	-	-	10,637,276
Intermediate sources	-	-	-	-	-	-	9,609
State sources	-	-	-	-	-	-	32,084,903
Federal sources	-	-	-	-	-	-	11,251,423
Other	44,780	57,335	130	6,024	19,302	1,599	7,826,637
Total receipts	44,780	57,335	130	6,024	19,302	1,599	61,809,848
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	21,527,753
Support services	-	-	-	-	-	-	19,949,599
Noninstructional services	-	-	-	-	-	-	2,518,209
Facilities acquisition and construction	-	-	-	-	-	-	2,078,279
Debt services	-	-	-	-	-	-	3,070,816
Nonprogrammed charges	43,707	60,100	160	4,141	19,931	1,599	8,240,210
Total disbursements	43,707	60,100	160	4,141	19,931	1,599	57,384,866
Excess (deficiency) of receipts over disbursements	1,073	(2,765)	(30)	1,883	(629)	-	4,424,982
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	102,790
Transfers out	-	-	-	-	-	-	(102,790)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,073	(2,765)	(30)	1,883	(629)	-	4,424,982
Cash and investments - ending	\$ 1,418	\$ 206	\$ -	\$ 2,317	\$ -	\$ -	\$ 27,714,705

MARION COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Capital leases:			
Marion High School (2012)	\$ 14,620,000	\$ 1,283,000	Debt Service
Marion High School (2007)	825,000	352,500	Debt Service
Notes and loans payable:			
Common School Fund	96,020	96,740	Debt Service
Bonds payable:			
General obligation bonds:			
2004 Pension Retirement	<u>11,410,000</u>	<u>1,283,877</u>	Retirement/Severance Bond Debt Service
Total debt	<u>\$ 26,951,020</u>	<u>\$ 3,016,117</u>	

MARION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS - NEGATIVE TRANSACTIONS**

Correcting transactions were recorded as "negative" receipts and disbursements. A similar comment appeared in prior Report B40064.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**OVERDRAWN FUND BALANCE**

The fund balance of the Textbook Rental Fund was overdrawn by \$150,007 at June 30, 2012.

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

**CONDITION OF RECORDS (Applies to Frances Slocum Elementary School)**

The following deficiencies were noted in the financial records presented for the 2011-2012 school year:

1. Numerous transactions were originally recorded to incorrect funds and were subsequently corrected with "negative" receipts and disbursements.

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

2. Receipts were written out of order and the computer generated receipt number did not always match the receipt number pre-printed on the form.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

3. Receipts were not always noted correctly as to payment type and deposit slips identifying the makeup of deposits were not presented for audit.

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

MARION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

***COLLECTION OF AMOUNTS DUE (Applies to Justice Intermediate School)***

In the fall of 2010, Justice Intermediate School held a fundraiser. The students took orders for the various items being sold, but did not collect any money at that time. After the sales period, the merchandise was delivered to the school. The students were then given the merchandise to deliver and were to collect and remit the money for the items sold. On June 17, 2011, the Justice Intermediate School Extra-Curricular Treasurer prepared a list of students who had sold and delivered merchandise, but had not remitted the money for the items sold. This list contained the names of 39 students and totaled \$6,963. As of December 3, 2012, nothing has been collected on the amounts due, and the school has no intent of pursuing the collection of the amounts due. A similar comment appeared in prior Report B40064.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***BANK RECONCILIATIONS (Applies to McCulloch Junior High School)***

Depository reconciliations of the fund balances to the bank account balances during the period under review were incorrect. A comparison of the record balance to the bank account balance at June 12, 2012, indicated cash necessary to balance of \$154.98. The June 30, 2012 bank account balances were subsequently reconciled to the fund balances on December 11, 2012.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***COLLECTION OF AMOUNTS DUE (Applies to McCulloch Junior High School)***

In the 2011-2012 school year, McCulloch Junior High School held a dance and sold t-shirts for Student Government. The sponsor responsible for these activities did not remit all money collected to the extra-curricular treasurer. After an internal review by School Corporation administration, the sponsor was asked to repay to the extra-curricular account \$443 for receipts not remitted. The sponsor repaid this amount through payroll deductions.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

MARION COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE MARION COMMUNITY SCHOOLS, GRANT COUNTY, INDIANA

Compliance

We have audited the Marion Community Schools' (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

STATE BOARD OF ACCOUNTS

January 8, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

MARION COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2012

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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 11-12	\$ 373,526
National School Lunch Program	10.555	FY 11-12	1,322,824
Summer Food Service Program for Children	10.559	FY 11-12	<u>18,503</u>
Total for cluster			<u>1,714,853</u>
Fresh Fruit and Vegetable Program	10.582	FY 11-12	<u>50,787</u>
Total for federal grantor agency			<u>1,765,640</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010		
Regular Funding		11-2865	579,230
Part D, Subpart 2		11-2865	46,173
School Improvement		12-2865	113,427
Regular Funding		12-2865	1,361,199
Part D, Subpart 2		12-2865	<u>60,271</u>
Total for program			<u>2,160,300</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		
School Improvement ARRA		11-2865	151,366
Stimulus		11-2865	<u>112,202</u>
Total for program			<u>263,568</u>
Total for cluster			<u>2,423,868</u>
Pass-Through Mississinewa Community School Corporation			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027		
		14211-021-PN01	220,210
		A58-2-12DL-0178	67,064
		14212-021-PN01	<u>528,753</u>
Total for program			<u>816,027</u>
Special Education - Preschool Grants	84.173		
		45711-021-PN01	8,111
		45712-021-PN01	<u>30,679</u>
Total for program			<u>38,790</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-021-SN01	<u>329,428</u>
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	44410-021-SN01	<u>2,750</u>
Total for cluster			<u>1,186,995</u>

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

MARION COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2012  
(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
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>			
Direct Grant			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	FY 11-12	<u>150,892</u>
Federal Direct Student Loans	84.268	FY 11-12	<u>259,267</u>
Total for cluster			<u>410,159</u>
Pass-Through Indiana Department of Education			
Education of Homeless Children and Youth Cluster			
Education of Homeless Children and Youth	84.196	FY 12	<u>24,891</u>
ARRA - Education of Homeless Children and Youth, Recovery Act	84.387	FY 10-11	<u>95,506</u>
Total for cluster			<u>120,397</u>
Teacher Incentive Fund Cluster			
Teacher Incentive Fund	84.374	FY 10-11 FY 11-12	6,297 <u>732,156</u>
Total for cluster			<u>738,453</u>
Pass-Through Fort Wayne Community Schools			
Adult Education - Basic Grants to States	84.002	FY 2011-8021	12,890
Pass-Through Partners for Workforce Solutions			
Adult Education - Basic Grants to States	84.002	FY 2011-8021	4,296
Pass-Through Indiana Department of Workforce Development			
Adult Education - Basic Grants to States	84.002	AE-1-03	<u>60,970</u>
Total for program			<u>78,156</u>
Pass-Through Indiana Department of Education			
Migrant Education - State Grant Program	84.011	38210-008-PN01 38211-008-PN01	20,739 <u>49,758</u>
Total for program			<u>70,497</u>
Career and Technical Education - Basic Grants to States	84.048	11-4700-2865 12-4700-2865	49,059 <u>120,515</u>
Total for program			<u>169,574</u>
English Language Acquisition Grants	84.365	FY 10-11 FY 11-12	2,212 <u>17,452</u>
Total for program			<u>19,664</u>

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

MARION COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2012  
(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
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>			
Pass-Through Indiana Department of Education (continued)			
Improving Teacher Quality State Grants	84.367		
		09-2865	284,725
		10-2865	292,850
		11-2865	<u>188,600</u>
Total for program			<u>766,175</u>
Education Jobs Fund	84.410	FY 10-11	<u>832,257</u>
Total for federal grantor agency			<u>6,816,195</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Grant			
Head Start Cluster			
Head Start	93.600		
		05CH-4199-46	448,279
		05CH-4199-46-T&TA	12,688
		05CH-4199-47	445,957
		05CH-4199-47-T&TA	<u>10,056</u>
Total for Cluster			<u>916,980</u>
Total for federal grantor agency			<u>916,980</u>
Total federal awards expended			<u>\$ 9,498,815</u>

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

MARION COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the year ending June 30, 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Year Ended June 30, 2012
Child Nutrition Cluster:		
Food Commodities:		
School Breakfast Program	10.553	\$ 28,756
National School Lunch Program	10.555	102,231
Total for cluster		\$ 130,987

MARION COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
	Special Education Cluster (IDEA)
	Student Financial Assistance Cluster
	Teacher Incentive Fund Cluster
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Fund

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

Auditee qualified as low-risk auditee?	no
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**Section II – Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**July 1, 2009 through June 30, 2011**

Finding 2011-2

Material Weakness over Reporting

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number: 08-2865  
Pass-Through Entity: Indiana Department of Education

The procedures and expectations that are in place to ensure appropriate review, approval, processing, expending, accounting, and reporting of Title II federal receipts and expenditures were reiterated and discussed with applicable personnel.

Finding 2011-3

Material Weakness over Period of Availability

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number: 08-2865  
Pass-Through Entity: Indiana Department of Education

The procedures and expectations that are in place to ensure appropriate review, approval, processing, expending, accounting, and reporting of Title II federal receipts and expenditures were reiterated and discussed with applicable personnel.

Finding 2011-4

Material Weakness over Cash Management

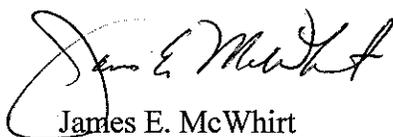
Federal Agency: U.S. Department of Education  
Federal Program: ARRA – Title I Grants to Local Educational Agencies, Recovery Act  
CFDA Number: 84.389  
Federal Award Number: 10-2865  
Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number: 08-2865  
Pass-Through Entity: Indiana Department of Education

The procedures and expectations that are in place to ensure appropriate review, approval, processing, expending, accounting, and reporting of Title II federal receipts and expenditures were reiterated and discussed with applicable personnel.

The procedures and expectations referred to above are as follows:

- Instructional Services' personnel write and submit Title Program Applications.
- Following the approval of program Applications, the approved budget is provided to Business Office personnel.
- Business Office personnel enter grant budget details, including the grant obligation period, into Komputrol.
- Business Office personnel set up payroll distribution accounts, for salaries and wages of personnel funded within approved grant budget.
- Business Office personnel set up appropriate accounts for benefits of personnel funded within approved grant budget.
- Instructional Services' personnel receive expenditure requests, payroll forms, and claim vouchers, and review such requests to determine appropriateness against approved budgets, and create purchase orders, when applicable. District's Instructional Coordinator reviews and approves all expenditures prior to submission to Business Office personnel.
- Approved forms, claim vouchers, and invoices are submitted to Business Office personnel for processing.
- Once reviewed and approved, scheduled disbursements to be paid are placed on School Board docket for approval.
- Once approved by the School Board, checks are paid to employees and vendors.
- Business Office personnel prepare expenditure and reimbursement requests.
- Business Office personnel post receipts (reimbursements) into proper accounts.
- Instructional Services personnel track appropriation and expenditure reports routinely to determine necessity of budget amendments.
- If budget amendments are deemed necessary, Instructional Services personnel begin the amendment process, which follows the same process.
- Business Office personnel prepare final grant reports.
- Instructional Services personnel review the final reports prior to submission.
- Business Office personnel submit final grant reports, as related to financial components. When required Business Office and Instructional Services personnel collaborate to provide all requested data and accounting.



James E. McWhirt  
Treasurer

November 7, 2012

MARION COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2013, with James E. McWhirt, Treasurer; Stephen L. Edwards, Superintendent of Schools; and Aaron W. Vermilion, President of the School Board. The officials concurred with our audit findings.