

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, 2012 to June 30, 2013



FILED
01/31/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James E. McWhirt Patty Nauman (Interim) Chris Hoke	07-01-12 to 12-31-13 01-01-14 to 01-14-14 01-15-14 to 06-30-14
Superintendent of Schools	Stephen L. Edwards (Vacant) Brad K. Lindsay	07-01-12 to 06-30-13 07-01-13 to 07-02-13 07-03-13 to 06-30-14
President of the School Board	Aaron W. Vermillion Katie M. Morgan	03-19-12 to 01-08-13 01-09-13 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Marion Community Schools (School Corporation), which comprises the financial position and results of operations for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2013.

Opinion on Regulatory Basis of Accounting

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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 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 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* in considering the School Corporation's internal control over financial reporting and compliance.

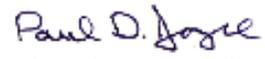
Accompanying Information

Supplementary Information

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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, Schedule of Leases and Debt, and Schedule of Capital Assets, 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.


Paul D. Joyce, CPA
State Examiner

November 25, 2013



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INDEPENDENT AUDITOR'S 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, 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, the financial statement of the Marion Community Schools (School Corporation), which comprises the financial position and results of operations for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated November 25, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

INDEPENDENT AUDITOR'S 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)

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 25, 2013

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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, 2013

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 19,458,382	\$ 31,489,548	\$ 30,097,544	\$ (11,073)	\$ 20,839,313
Debt Service	802,739	1,683,688	1,848,583	-	637,844
Retirement Severance Bond Debt Service	221,660	1,317,542	1,283,877	-	255,325
Capital Projects	3,395,332	3,387,978	3,261,263	-	3,522,047
School Transportation	767,578	2,069,948	2,317,785	-	519,741
School Bus Replacement	94,531	276,088	-	-	370,619
School Lunch	1,136,900	2,012,086	1,999,999	-	1,148,987
Textbook Rental	(150,007)	411,349	252,846	-	8,496
Self-Insurance	988,676	3,267	-	-	991,943
Levy Excess	63,540	-	-	-	63,540
Alternative Education	121,425	21,046	142,471	-	-
Safe Haven FY13	-	14,500	14,500	-	-
In and Out Account	9,860	40,835	41,994	-	8,701
Central Indiana Ethanol Grant	7,592	-	6,577	-	1,015
Grant County Food Service Donation	644	-	549	-	95
Griffin Bequest	271,997	5,385	264,097	-	13,285
Mueller Donation Riverview	-	768	768	-	-
MJ Lowe Bequest	1,314	-	-	-	1,314
Maurice Andrea McCulloch	766	-	-	-	766
Attendance	2,111	-	-	-	2,111
Mary Clark Hanley Awards	510	1,875	3,240	-	(855)
Dee Fagar Memorial	197	1	197	-	1
Anthony Swain Grant	105	-	-	-	105
Miscellaneous Scholarships	-	800	-	-	800
Charles Math Scholarship	39,850	131	1,000	-	38,981
Glen Allen Memorial	18	-	-	-	18
Dick Looten Scholarship	7,424	25	200	-	7,249
Seybold Scholarship	42	-	-	-	42
Mark Longenecker Scholarship	5,045	17	250	-	4,812
Friends of Asherwood Project	6,890	-	-	-	6,890
Insurance Claim Payments McCulloch	3,531	-	-	-	3,531
Miscellaneous Mini Grants	9,945	369	-	-	10,314
Indiana State License Practical Nurses	338	-	-	-	338
Early Childhood Education Center	299	-	-	-	299
Wal-Mart Grant	306	-	-	-	306
Dolgencorp Gray Construction Tucker	1,795	-	-	-	1,795
High Ability FY13	-	40,629	39,031	-	1,598
High Ability FY12	456	-	456	-	-
Non-English Speaking Programs P.L. 273-1999	-	15,073	15,073	-	-
State Connectivity	5,302	2,751	1,394	-	6,659
E-Rate Technology	486,957	71,442	53,976	-	504,423
Excellence In Education	-	104,375	104,375	-	-
Technology Skills Assessment	-	2,950	2,950	-	-

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, 2013
(Continued)

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Title I School Improvement Justice FY13	-	468,571	520,325	-	(51,754)
Title I School Improvement Allen FY11	(264)	4,884	4,620	-	-
Title I School Improvement Frances Slocum FY11	(9,271)	23,868	14,597	-	-
Title I School Improvement FY12	-	118,235	118,235	-	-
Title I Delinquent FY13	-	89,098	98,020	-	(8,922)
Title I Delinquent FY12	(10,053)	50,824	40,771	-	-
Title I FY12	(276,754)	841,196	564,442	-	-
Title I FY13	-	1,546,863	1,713,666	-	(166,803)
Title I Migrant FY13	-	50,424	54,562	-	(4,138)
Title I Migrant FY12	(20,935)	24,312	3,377	-	-
Stewart McKinney FY13	-	43,963	46,949	-	(2,986)
Stewart McKinney FY12	(28,838)	44,089	15,251	-	-
Special Education Improvement Award	-	-	64,540	-	(64,540)
IDEA FY12	(62,108)	486,399	424,291	-	-
IDEA FY13	-	638,440	813,888	-	(175,448)
IDEA Preschool FY12	(3,743)	18,566	14,823	-	-
IDEA Preschool FY13	-	31,777	40,011	-	(8,234)
Title II Adult Basic Education FY12	(49,852)	70,214	20,362	-	-
Title II Adult Basic Education FY13	-	136,962	153,448	-	(16,486)
Title II Adult Basic Education Innovation FY13	-	1,133	-	-	1,133
Drug Free Schools	(40,801)	40,801	-	-	-
Carl Perkins FY12	(18,674)	44,800	26,126	-	-
Carl Perkins FY13	-	121,130	131,304	-	(10,174)
Medicaid Reimbursement - Federal	114,340	56,610	94,778	-	76,172
Pell Grant/LPN Program	-	498,584	498,584	-	-
Head Start FY13	-	447,541	519,022	-	(71,481)
Head Start T and TA FY13	-	4,832	4,832	-	-
Head Start FY12	(63,728)	560,507	507,852	11,073	-
Head Start T and TA FY12	(1,535)	9,323	7,788	-	-
Title IID Enhancing Education Through Technology	277	-	-	-	277
Title II Improving Teacher Quality 12/14	-	275,130	311,532	-	(36,402)
Title II Improving Teacher Quality 10/12	(17,103)	35,498	18,395	-	-
Title II Improving Teacher Quality 11/13	(10,889)	172,871	155,342	-	6,640
Title III Language Instruction FY13	-	22,617	23,237	-	(620)
Title III Language Instruction FY12	(383)	1,769	1,386	-	-
TAP Grant	(21,261)	516,239	494,978	-	-
TAP Grant Year 3	(323)	708,464	769,308	-	(61,167)
Title I ARRA (Stimulus) 10/11	(5,655)	17,675	12,020	-	-
McKinney - Vento ARRA (Stimulus)	702	-	-	-	702
Education Jobs	-	22,532	22,532	-	-
Payroll Clearing Accounts	477,506	7,353,626	7,357,947	-	473,185
Totals	\$ 27,714,705	\$ 58,574,833	\$ 57,438,136	\$ -	\$ 28,851,402

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 Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

MARION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

MARION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

MARION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

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. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by June 30, 2013.

Note 8. Holding Corporations

The School Corporation has entered into a capital lease with the Marion High 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 2012-2013 fiscal year totaled \$1,283,000.

MARION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

The School Corporation has entered into a capital lease with the Marion School Building Corporation (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 determined to be a related party of the School Corporation. Lease payments during the 2012-2013 fiscal year totaled \$352,500.

Note 9. Other Postemployment Benefits

The School Corporation provides the following severance benefits to eligible employees:

Teachers – Years of Service

Teachers with a minimum of 10 years of service with the Marion Community Schools receive \$200 per year of service. Such payments are made to the eligible employee's 403(b) account with MetLife.

Teachers – Unused Sick Leave

Teachers with a minimum of 10 years of service with the Marion Community Schools receive \$20 per day of accumulated personal illness leave up to a maximum 139 days. Such payments are made to the eligible employee's 403(b) account with MetLife.

Classified Employees – Retirement Benefit

Employees with a minimum of 10 years of service with the Marion Community Schools will receive a retirement benefit at the time they retire, provided they are at least age 50 at the time of their retirement. Said retirement benefit will be 17 percent of the salary schedule in effect on June 30, 2011, with an additional 1 percent for each year of service over 10.

The retirement benefit for eligible employees will not increase for any years of service after June 30, 2011. Any changes in the salary structure that take place following June 30, 2011, will not be used to calculate these retirement benefits.

Employees with less than 10 years of service to the Marion Community Schools before July 1, 2011, and employees hired, on or after, April 13, 2011, will not be eligible for these benefits.

Such payments will be made to the eligible employee's 403(b) account.

These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 10. Combined Funds

Funds related to payroll were reported individually in the prior financial statement but were combined into one fund for the current financial statement.

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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 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, 2013

	General	Debt Service	Retirement Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	School Lunch
Cash and investments - beginning	\$ 19,458,382	\$ 802,739	\$ 221,660	\$ 3,395,332	\$ 767,578	\$ 94,531	\$ 1,136,900
Receipts:							
Local sources	1,487,450	1,683,688	1,317,542	3,216,614	2,069,467	276,088	300,786
Intermediate sources	14	-	-	-	-	-	-
State sources	29,939,702	-	-	-	-	-	8,740
Federal sources	59,572	-	-	-	-	-	1,701,914
Temporary loans	-	-	-	143,575	-	-	-
Other	2,810	-	-	27,789	481	-	646
Total receipts	<u>31,489,548</u>	<u>1,683,688</u>	<u>1,317,542</u>	<u>3,387,978</u>	<u>2,069,948</u>	<u>276,088</u>	<u>2,012,086</u>
Disbursements:							
Current:							
Instruction	16,721,554	-	-	-	-	-	-
Support services	12,307,364	-	-	2,273,170	2,317,785	-	146,135
Noninstructional services	521,667	-	-	-	-	-	1,853,864
Facilities acquisition and construction	546,959	-	-	988,093	-	-	-
Debt services	-	1,848,583	1,283,877	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>30,097,544</u>	<u>1,848,583</u>	<u>1,283,877</u>	<u>3,261,263</u>	<u>2,317,785</u>	<u>-</u>	<u>1,999,999</u>
Excess (deficiency) of receipts over disbursements	<u>1,392,004</u>	<u>(164,895)</u>	<u>33,665</u>	<u>126,715</u>	<u>(247,837)</u>	<u>276,088</u>	<u>12,087</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	<u>(11,073)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,073)</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>1,380,931</u>	<u>(164,895)</u>	<u>33,665</u>	<u>126,715</u>	<u>(247,837)</u>	<u>276,088</u>	<u>12,087</u>
Cash and investments - ending	<u>\$ 20,839,313</u>	<u>\$ 637,844</u>	<u>\$ 255,325</u>	<u>\$ 3,522,047</u>	<u>\$ 519,741</u>	<u>\$ 370,619</u>	<u>\$ 1,148,987</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, 2013
 (Continued)

	Textbook Rental	Self-Insurance	Levy Excess	Alternative Education	Safe Haven FY13	In and Out Account	Central Indiana Ethanol Grant
Cash and investments - beginning	\$ (150,007)	\$ 988,676	\$ 63,540	\$ 121,425	\$ -	\$ 9,860	\$ 7,592
Receipts:							
Local sources	148,442	3,267	-	-	-	39,072	-
Intermediate sources	-	-	-	-	-	-	-
State sources	262,907	-	-	21,046	14,500	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,763	-
Total receipts	411,349	3,267	-	21,046	14,500	40,835	-
Disbursements:							
Current:							
Instruction	-	-	-	142,471	-	500	3,770
Support services	252,846	-	-	-	14,500	40,744	2,807
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	750	-
Total disbursements	252,846	-	-	142,471	14,500	41,994	6,577
Excess (deficiency) of receipts over disbursements	158,503	3,267	-	(121,425)	-	(1,159)	(6,577)
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	158,503	3,267	-	(121,425)	-	(1,159)	(6,577)
Cash and investments - ending	\$ 8,496	\$ 991,943	\$ 63,540	\$ -	\$ -	\$ 8,701	\$ 1,015

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, 2013
 (Continued)

	Grant County Food Service Donation	Griffin Bequest	Mueller Donation Riverview	MJ Lowe Bequest	Maurice Andrea McCulloch	Attendance	Mary Clark Hanley Awards
Cash and investments - beginning	\$ 644	\$ 271,997	\$ -	\$ 1,314	\$ 766	\$ 2,111	\$ 510
Receipts:							
Local sources	-	5,385	768	-	-	-	1,875
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>5,385</u>	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,875</u>
Disbursements:							
Current:							
Instruction	-	-	768	-	-	-	-
Support services	-	3,752	-	-	-	-	-
Noninstructional services	549	-	-	-	-	-	3,240
Facilities acquisition and construction	-	260,345	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>549</u>	<u>264,097</u>	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,240</u>
Excess (deficiency) of receipts over disbursements	<u>(549)</u>	<u>(258,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365)</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>(549)</u>	<u>(258,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365)</u>
Cash and investments - ending	<u>\$ 95</u>	<u>\$ 13,285</u>	<u>\$ -</u>	<u>\$ 1,314</u>	<u>\$ 766</u>	<u>\$ 2,111</u>	<u>\$ (855)</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, 2013
 (Continued)

	Dee Fagar Memorial	Anthony Swain Grant	Miscellaneous Scholarships	Charles Math Scholarship	Glen Allen Memorial	Dick Looten Scholarship	Seybold Scholarship
Cash and investments - beginning	\$ 197	\$ 105	\$ -	\$ 39,850	\$ 18	\$ 7,424	\$ 42
Receipts:							
Local sources	1	-	800	131	-	25	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>1</u>	<u>-</u>	<u>800</u>	<u>131</u>	<u>-</u>	<u>25</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	197	-	-	1,000	-	200	-
Total disbursements	<u>197</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>200</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(196)</u>	<u>-</u>	<u>800</u>	<u>(869)</u>	<u>-</u>	<u>(175)</u>	<u>-</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>(196)</u>	<u>-</u>	<u>800</u>	<u>(869)</u>	<u>-</u>	<u>(175)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 105</u>	<u>\$ 800</u>	<u>\$ 38,981</u>	<u>\$ 18</u>	<u>\$ 7,249</u>	<u>\$ 42</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, 2013
 (Continued)

	Mark Longenecker Scholarship	Friends of Asherwood Project	Insurance Claim Payments McCulloch	Miscellaneous Mini Grants	Indiana State License Practical Nurses	Early Childhood Education Center	Wal-Mart Grant
Cash and investments - beginning	\$ 5,045	\$ 6,890	\$ 3,531	\$ 9,945	\$ 338	\$ 299	\$ 306
Receipts:							
Local sources	17	-	-	-	-	-	-
Intermediate sources	-	-	-	369	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>17</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	250	-	-	-	-	-	-
Total disbursements	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(233)</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</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>(233)</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,812</u>	<u>\$ 6,890</u>	<u>\$ 3,531</u>	<u>\$ 10,314</u>	<u>\$ 338</u>	<u>\$ 299</u>	<u>\$ 306</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, 2013
 (Continued)

	DolgenCorp Gray Construction Tucker	High Ability FY13	High Ability FY12	Non-English Speaking Programs P.L. 273-1999	State Connectivity	E-Rate Technology	Excellence In Education
Cash and investments - beginning	\$ 1,795	\$ -	\$ 456	\$ -	\$ 5,302	\$ 486,957	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	40,629	-	15,073	2,751	-	104,375
Federal sources	-	-	-	-	-	71,442	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	40,629	-	15,073	2,751	71,442	104,375
Disbursements:							
Current:							
Instruction	-	30,467	456	15,073	-	-	104,375
Support services	-	8,564	-	-	1,394	53,976	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	39,031	456	15,073	1,394	53,976	104,375
Excess (deficiency) of receipts over disbursements	-	1,598	(456)	-	1,357	17,466	-
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	-	1,598	(456)	-	1,357	17,466	-
Cash and investments - ending	\$ 1,795	\$ 1,598	\$ -	\$ -	\$ 6,659	\$ 504,423	\$ -

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, 2013
 (Continued)

	Technology Skills Assessment	Title I School Improvement Justice FY13	Title I School Improvement Allen FY11	Title I School Improvement Frances Slocum FY11	Title I School Improvement FY12	Title I Delinquent FY13	Title I Delinquent FY12
Cash and investments - beginning	\$ -	\$ -	\$ (264)	\$ (9,271)	\$ -	\$ -	\$ (10,053)
Receipts:							
Local sources	-	1,697	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	2,950	-	-	-	-	-	-
Federal sources	-	466,874	4,884	23,868	118,235	89,098	50,824
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>2,950</u>	<u>468,571</u>	<u>4,884</u>	<u>23,868</u>	<u>118,235</u>	<u>89,098</u>	<u>50,824</u>
Disbursements:							
Current:							
Instruction	-	198,067	4,485	7,323	118,235	84,013	24,867
Support services	2,950	321,281	135	7,274	-	14,007	15,904
Noninstructional services	-	977	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>2,950</u>	<u>520,325</u>	<u>4,620</u>	<u>14,597</u>	<u>118,235</u>	<u>98,020</u>	<u>40,771</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(51,754)</u>	<u>264</u>	<u>9,271</u>	<u>-</u>	<u>(8,922)</u>	<u>10,053</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>-</u>	<u>(51,754)</u>	<u>264</u>	<u>9,271</u>	<u>-</u>	<u>(8,922)</u>	<u>10,053</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (51,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,922)</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, 2013
 (Continued)

	Title I FY12	Title I FY13	Title I Migrant FY13	Title I Migrant FY12	Stewart McKinney FY13	Stewart McKinney FY12
Cash and investments - beginning	\$ (276,754)	\$ -	\$ -	\$ (20,935)	\$ -	\$ (28,838)
Receipts:						
Local sources	-	1,123	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	841,196	1,545,740	50,424	24,312	43,963	44,089
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>841,196</u>	<u>1,546,863</u>	<u>50,424</u>	<u>24,312</u>	<u>43,963</u>	<u>44,089</u>
Disbursements:						
Current:						
Instruction	343,314	909,411	54,447	3,796	-	-
Support services	195,172	775,676	-	(419)	46,949	15,251
Noninstructional services	25,956	28,579	115	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>564,442</u>	<u>1,713,666</u>	<u>54,562</u>	<u>3,377</u>	<u>46,949</u>	<u>15,251</u>
Excess (deficiency) of receipts over disbursements	<u>276,754</u>	<u>(166,803)</u>	<u>(4,138)</u>	<u>20,935</u>	<u>(2,986)</u>	<u>28,838</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>276,754</u>	<u>(166,803)</u>	<u>(4,138)</u>	<u>20,935</u>	<u>(2,986)</u>	<u>28,838</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (166,803)</u>	<u>\$ (4,138)</u>	<u>\$ -</u>	<u>\$ (2,986)</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, 2013
 (Continued)

	Special Education Improvement Award	IDEA FY12	IDEA FY13	IDEA Preschool FY12	IDEA Preschool FY13	Title II Adult Basic Education FY12
Cash and investments - beginning	\$ -	\$ (62,108)	\$ -	\$ (3,743)	\$ -	\$ (49,852)
Receipts:						
Local sources	-	-	674	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	18,566	31,777	-
Federal sources	-	486,399	637,766	-	-	70,214
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>486,399</u>	<u>638,440</u>	<u>18,566</u>	<u>31,777</u>	<u>70,214</u>
Disbursements:						
Current:						
Instruction	-	312,311	661,116	1,245	-	20,249
Support services	-	111,980	152,772	13,578	40,011	113
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	64,540	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>64,540</u>	<u>424,291</u>	<u>813,888</u>	<u>14,823</u>	<u>40,011</u>	<u>20,362</u>
Excess (deficiency) of receipts over disbursements	<u>(64,540)</u>	<u>62,108</u>	<u>(175,448)</u>	<u>3,743</u>	<u>(8,234)</u>	<u>49,852</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(64,540)</u>	<u>62,108</u>	<u>(175,448)</u>	<u>3,743</u>	<u>(8,234)</u>	<u>49,852</u>
Cash and investments - ending	<u>\$ (64,540)</u>	<u>\$ -</u>	<u>\$ (175,448)</u>	<u>\$ -</u>	<u>\$ (8,234)</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, 2013
 (Continued)

	Title II Adult Basic Education FY13	Title II Adult Basic Education Innovation FY13	Drug Free Schools	Carl Perkins FY12	Carl Perkins FY13	Medicaid Reimbursement - Federal
Cash and investments - beginning	\$ -	\$ -	\$ (40,801)	\$ (18,674)	\$ -	\$ 114,340
Receipts:						
Local sources	-	-	-	-	-	5,192
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	121,130	-
Federal sources	136,962	1,133	40,801	44,800	-	51,418
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>136,962</u>	<u>1,133</u>	<u>40,801</u>	<u>44,800</u>	<u>121,130</u>	<u>56,610</u>
Disbursements:						
Current:						
Instruction	139,956	-	-	382	7,536	5,536
Support services	13,427	-	-	8,000	106,539	89,242
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	65	-	-	17,744	17,229	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>153,448</u>	<u>-</u>	<u>-</u>	<u>26,126</u>	<u>131,304</u>	<u>94,778</u>
Excess (deficiency) of receipts over disbursements	<u>(16,486)</u>	<u>1,133</u>	<u>40,801</u>	<u>18,674</u>	<u>(10,174)</u>	<u>(38,168)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(16,486)</u>	<u>1,133</u>	<u>40,801</u>	<u>18,674</u>	<u>(10,174)</u>	<u>(38,168)</u>
Cash and investments - ending	<u>\$ (16,486)</u>	<u>\$ 1,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,174)</u>	<u>\$ 76,172</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, 2013
 (Continued)

	Pell Grant/LPN Program	Head Start FY13	Head Start T and TA FY13	Head Start FY12	Head Start T and TA FY12	Title IID Enhancing Education Through Technology
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (63,728)	\$ (1,535)	\$ 277
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	498,584	447,541	4,832	560,507	9,323	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>498,584</u>	<u>447,541</u>	<u>4,832</u>	<u>560,507</u>	<u>9,323</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	498,584	278,705	-	277,579	-	-
Support services	-	151,356	4,832	154,016	7,788	-
Noninstructional services	-	88,961	-	76,257	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>498,584</u>	<u>519,022</u>	<u>4,832</u>	<u>507,852</u>	<u>7,788</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(71,481)</u>	<u>-</u>	<u>52,655</u>	<u>1,535</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	11,073	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,073</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(71,481)</u>	<u>-</u>	<u>63,728</u>	<u>1,535</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (71,481)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277</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, 2013
 (Continued)

	Title II Improving Teacher Quality 12/14	Title II Improving Teacher Quality 10/12	Title II Improving Teacher Quality 11/13	Title III Language Instruction FY13	Title III Language Instruction FY12	TAP Grant
Cash and investments - beginning	\$ -	\$ (17,103)	\$ (10,889)	\$ -	\$ (383)	\$ (21,261)
Receipts:						
Local sources	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	275,130	35,498	172,871	22,617	1,769	516,239
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>275,130</u>	<u>35,498</u>	<u>172,871</u>	<u>22,617</u>	<u>1,769</u>	<u>516,239</u>
Disbursements:						
Current:						
Instruction	-	-	-	18,919	1,023	373,241
Support services	311,532	17,408	155,342	4,318	363	121,737
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	987	-	-	-	-
Total disbursements	<u>311,532</u>	<u>18,395</u>	<u>155,342</u>	<u>23,237</u>	<u>1,386</u>	<u>494,978</u>
Excess (deficiency) of receipts over disbursements	<u>(36,402)</u>	<u>17,103</u>	<u>17,529</u>	<u>(620)</u>	<u>383</u>	<u>21,261</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(36,402)</u>	<u>17,103</u>	<u>17,529</u>	<u>(620)</u>	<u>383</u>	<u>21,261</u>
Cash and investments - ending	<u>\$ (36,402)</u>	<u>\$ -</u>	<u>\$ 6,640</u>	<u>\$ (620)</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, 2013
 (Continued)

	TAP Grant Year 3	Title I ARRA (Stimulus) 10/11	McKinney - Vento ARRA (Stimulus)	Education Jobs	Payroll Clearing Accounts	Totals
Cash and investments - beginning	\$ (323)	\$ (5,655)	\$ 702	\$ -	\$ 477,506	\$ 27,714,705
Receipts:						
Local sources	-	-	-	-	-	10,560,104
Intermediate sources	-	-	-	-	-	383
State sources	-	-	-	-	-	30,584,146
Federal sources	708,464	17,675	-	22,532	-	9,899,510
Temporary loans	-	-	-	-	-	143,575
Other	-	-	-	-	7,353,626	7,387,115
Total receipts	708,464	17,675	-	22,532	7,353,626	58,574,833
Disbursements:						
Current:						
Instruction	749,208	-	-	4,050	-	22,117,032
Support services	20,100	12,020	-	18,482	-	20,332,173
Noninstructional services	-	-	-	-	-	2,600,165
Facilities acquisition and construction	-	-	-	-	-	1,894,975
Debt services	-	-	-	-	-	3,132,460
Nonprogrammed charges	-	-	-	-	7,357,947	7,361,331
Total disbursements	769,308	12,020	-	22,532	7,357,947	57,438,136
Excess (deficiency) of receipts over disbursements	(60,844)	5,655	-	-	(4,321)	1,136,697
Other financing sources (uses):						
Transfers in	-	-	-	-	-	11,073
Transfers out	-	-	-	-	-	(11,073)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,844)	5,655	-	-	(4,321)	1,136,697
Cash and investments - ending	\$ (61,167)	\$ -	\$ 702	\$ -	\$ 473,185	\$ 28,851,402

MARION COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Marion High School Building Corporation	High School Renovations (2012)	\$ 1,283,000	07-01-12	01-01-28
Marion School Building Corporation	High School Roofing Project (2007)	<u>352,500</u>	06-01-08	12-01-14
Total of annual lease payments		<u>\$ 1,635,500</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	2004 Pension Bonds	<u>\$ 10,745,000</u>	<u>\$ 1,286,136</u>

MARION COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2013

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.

	Ending Balance
Governmental activities:	
Land	\$ 327,308
Buildings	36,523,771
Improvements other than buildings	28,566,108
Machinery, equipment, and vehicles	7,022,131
 Total capital assets	 \$ 72,439,318

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance 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, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 25, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared 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, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Agriculture</u>				
Child Nutrition Cluster				
School Breakfast Program	Indiana Department of Education	10.553	FY 12-13	<u>\$ 375,946</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 12-13	<u>1,392,369</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 12-13	<u>21,462</u>
Total - Child Nutrition Cluster				<u>1,789,777</u>
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 12-13	<u>47,676</u>
Total - Department of Agriculture				<u>1,837,453</u>
<u>Department of Education</u>				
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002	FY 11-12 FY 12-13	24,242 <u>126,609</u>
Total - Adult Education - Basic Grants to States				<u>150,851</u>
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010		
Part D			12-2865	47,524
School Improvement			12-2865	118,235
School Improvement			13-2865	466,874
Part D			13-2865	89,098
Regular Funding			12-2865	841,196
Regular Funding			13-2865	<u>1,545,740</u>
Total - Title I Grants to Local Educational Agencies				<u>3,108,667</u>
ARRA - Title I Grants to Local Education Agencies, Recovery Act	Indiana Department of Education	84.389		
School Improvement (Stimulus)			11-2865	17,675
School Improvement ARRA			11-2865	<u>28,752</u>
Total - ARRA - Title I Grants to Local Educational Agencies, Recovery Act				<u>46,427</u>
Total - Title I, Part A Cluster				<u>3,155,094</u>
Migrant Education - State Grant Program	Indiana Department of Education	84.011		
			38212-007-PN01	50,424
			38211-008-PN01	<u>24,312</u>
Total - Migrant Education - State Grant Program				<u>74,736</u>
Special Education Cluster (IDEA)				
Special Education - Grants to States	Mississinewa Community School Corporation	84.027		
			14213-021-PN01	637,766
			14212-021-PN01	<u>486,399</u>
Total - Special Education - Grants to States				<u>1,124,165</u>
Special Education - Preschool Grants	Mississinewa Community School Corporation	84.173		
			45712-021-PN01	18,566
			45713-021-PN01	<u>31,777</u>
Total - Special Education - Preschool Grants				<u>50,343</u>
Total - Special Education Cluster (IDEA)				<u>1,174,508</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, 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Education (continued)</u>				
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048	12-4700-2865 13-4700-2865	44,800 <u>121,130</u>
Total - Career and Technical Education - Basic Grants to States				<u>165,930</u>
Student Financial Assistance Cluster Federal Pell Grant Program	Direct Grant	84.063	FY 12-13	<u>172,714</u>
Federal Direct Student Loans	Direct Grant	84.268	FY 12-13	<u>325,870</u>
Total - Student Financial Assistance Cluster				<u>498,584</u>
Education for Homeless Children and Youth	Indiana Department of Education	84.196	FY 11 FY 12	44,089 <u>43,963</u>
Total - Education for Homeless Children and Youth				<u>88,052</u>
English Language Acquisition Grants	Indiana Department of Education	84.365	01113-022-PN01 01112-022-PN01	22,617 <u>1,769</u>
Total - English Language Acquisition Grants				<u>24,386</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	12-2865 10-2865 11-2865	275,130 330 <u>172,871</u>
Total - Improving Teacher Quality State Grants				<u>448,331</u>
Teacher Incentive Fund Cluster Teacher Incentive Fund	Indiana Department of Education	84.374	FY 11-12 FY 12-13	516,239 <u>708,464</u>
Total - Teacher Incentive Fund Cluster				<u>1,224,703</u>
Education Jobs Fund	Indiana Department of Education	84.410	FY 10-11	<u>22,532</u>
Total - Department of Education				<u>7,027,707</u>
<u>Department of Health and Human Services</u>				
Head Start	Direct Grant	93.600	05CH4199/48 05CH4199/48-T&TA 05CH4199/47 05CH4199/47-T&TA	447,541 4,832 560,507 <u>9,323</u>
Total for Head Start				<u>1,022,203</u>
Total - Department of Health and Human Services				<u>1,022,203</u>
Total federal awards expended				<u>\$ 9,887,363</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, 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Year Ended June 30, 2013
Child Nutrition Cluster:		
Food Commodities:		
School Breakfast Program	10.553	\$ 28,265
National School Lunch Program	10.555	107,275
Total for cluster		\$ 135,540

MARION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2013, with Brad K. Lindsay, Superintendent of Schools; James E. McWhirt, Treasurer; and Katie M. Morgan, President of the School Board. Our audit disclosed no material items that warrant comment at this time.