

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
MORGAN COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
02/21/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra K. Hart Kimberly LaRue	07-01-11 to 06-30-13 07-01-13 to 06-30-14
Superintendent of Schools	Ronald Furniss	07-01-11 to 12-31-14
President of the School Board	Chuck Smith Kenny Costin Steve Brock Rebecca J. Weddle	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



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

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Metropolitan School District of Martinsville (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to 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 period of July 1, 2011 to 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 period of July 1, 2011 to 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 January 16, 2014, 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 Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, 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

January 16, 2014



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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 METROPOLITAN SCHOOL DISTRICT  
OF MARTINSVILLE, MORGAN 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 Metropolitan School District of Martinsville (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated January 16, 2014, 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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)

***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

***Metropolitan School District of Martinsville's Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***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

January 16, 2014

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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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 10,703,492	\$ 33,226,207	\$ 34,419,642	\$ 11,132	\$ 9,521,189	\$ 33,837,619	\$ 35,428,287	\$ 5,721	\$ 7,936,242
Debt Service	691,283	1,354,619	1,115,538	(63,024)	867,340	1,450,996	1,405,176	(81,530)	831,630
Retirement/Severance Bond Debt Service	542,454	821,286	872,412	-	491,328	871,763	871,235	-	491,856
Capital Projects	4,706,773	3,556,355	4,400,412	-	3,862,716	3,820,876	4,937,184	-	2,746,408
School Transportation	2,202,203	2,597,751	2,504,120	-	2,295,834	2,792,028	2,496,972	74,671	2,665,561
School Bus Replacement	2,131,637	500,507	223,078	-	2,409,066	271,734	-	-	2,680,800
Rainy Day	1,044,340	-	-	-	1,044,340	-	-	-	1,044,340
Construction	1,727,627	-	1,727,627	-	-	-	-	-	-
School Lunch	570,898	2,488,872	2,523,143	-	536,627	2,941,618	2,639,532	-	838,713
Textbook Rental	531,867	553,390	473,905	63,024	674,376	517,913	278,175	81,530	995,644
Levy Excess	-	2,452	-	57,513	59,965	14,715	-	(74,671)	9
South Central Indiana School Study	28,970	-	1,669	-	27,301	-	945	-	26,356
Alternative Education	2,354	12,567	1,530	-	13,391	13,760	27,128	-	23
Early Intervention Grant	100	7,730	7,730	-	100	-	-	-	100
Stanley Lacy Program	131	-	-	-	131	-	131	-	-
Scholarships and Awards	202,061	20,583	28,136	-	194,508	21,485	26,200	-	189,793
Donation - Kiwanis	300	-	-	-	300	-	-	-	300
Construction, Remodeling, and Equipping Buildings	17,716	-	17,016	-	700	-	-	-	700
Miscellaneous Programs	-	22,400	19,498	-	2,902	1,000	3,631	-	271
K 2009/2010-S-30 PASS	-	-	-	-	-	30,000	30,000	-	-
REMC Grant - Lilly Program	2,037	-	2,037	-	-	100	87	-	13
REMC Grant - EMS	5,000	-	4,450	-	550	-	-	-	550
Kendrick Grant	-	-	-	-	-	5,000	5,000	-	-
St. Francis - Donation	983	1,200	1,374	-	809	-	-	-	809
K 2010-11 S-19 PASS Program	-	-	-	-	-	5,000	4,997	-	3
REMC Grant - Safe Drug Free	45	-	45	-	-	22,400	18,667	-	3,733
Kendrick Grant K2008-2009-C2-09	-	15,235	15,183	-	52	-	52	-	-
Knights of Columbus-PS	2,179	900	2,010	-	1,069	900	727	-	1,242
Project 03411-195-PN01 GT	2,279	-	2,279	-	-	-	-	-	-
Gifted/Talented 1	-	46,551	40,810	-	5,741	-	5,741	-	-
Project 03413-195-PN01 GT	-	-	-	-	-	51,193	46,785	-	4,408

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013  
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Technology Plan Buddy	3,550	310	-	-	3,860	-	-	-	3,860
Excess PTRC Distributions	-	57,513	-	(57,513)	-	-	-	-	-
Project Lead the Way	-	10,000	10,000	-	-	-	-	-	-
Title I	-	639,105	741,919	76,000	(26,814)	135,263	108,449	-	-
Project 03411-195-PN01 GT	(34,540)	120,949	123,909	37,500	-	-	-	-	-
Title I FY 2013	-	-	-	-	-	733,226	775,213	-	(41,987)
Stewart Homeless Assistance Act 1	-	-	-	-	-	38,801	40,631	-	(1,830)
Stewart Homeless Assistance Act 2	-	6,115	6,115	-	-	-	-	-	-
Homeless 2010/2011	-	37,063	38,929	-	(1,866)	17,937	16,071	-	-
Homeless 2007/2008	-	292	292	-	-	9,708	9,708	-	-
Learn and Serve America 2009/2010	-	5,417	5,417	-	-	-	-	-	-
IDEA	-	55,900	55,900	-	-	-	-	-	-
Project 14210-039-PN01	1,786	22,459	24,245	-	-	-	-	-	-
Project 14209-039-PN01	-	-	-	-	-	658,424	710,852	-	(52,428)
Project 14211-039-PN01	239	399,634	399,873	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	685,652	726,315	-	(40,663)	497,395	456,732	-	-
Federal Assistance Educational Preschool Handicapped	-	12	12	-	-	-	-	-	-
Project 45707-039-PN01 C/O PS	-	-	-	-	-	39,212	40,740	-	(1,528)
Project 45709-039-PN01 PS	-	12,313	12,313	-	-	-	-	-	-
Project 457-039-PN01 PS	-	31,614	33,120	-	(1,506)	6,346	4,840	-	-
Drug Free Schools	-	2,828	2,828	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	37,000	308,482	235,604	(113,500)	(3,622)	180,295	182,792	-	(6,119)
Title I - Grants to LEAs	-	19	243	-	(224)	224	-	-	-
Special Education - Part B	(89,066)	146,202	57,136	-	-	-	-	-	-
Special Education - Part B - Preschool	-	2,414	2,414	-	-	-	-	-	-
Education Jobs	6	552,491	552,497	-	-	20,938	20,938	-	-
Payroll Withholdings	819,353	9,239,342	9,432,738	-	625,957	12,067,208	12,563,600	-	129,565
Totals	<u>\$ 25,855,057</u>	<u>\$ 57,564,731</u>	<u>\$ 60,865,463</u>	<u>\$ 11,132</u>	<u>\$ 22,565,457</u>	<u>\$ 61,075,077</u>	<u>\$ 63,157,218</u>	<u>\$ 5,721</u>	<u>\$ 20,489,037</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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.

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:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports 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 Reports of the School Corporation which are 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 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	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 10,703,492	\$ 691,283	\$ 542,454	\$ 4,706,773	\$ 2,202,203	\$ 2,131,637	\$ 1,044,340	\$ 1,727,627	\$ 570,898
Receipts:									
Local sources	2,103,953	1,354,619	821,286	3,536,355	2,594,605	500,507	-	-	1,153,892
Intermediate sources	23	-	-	-	-	-	-	-	-
State sources	31,122,231	-	-	-	-	-	-	-	23,602
Federal sources	-	-	-	20,000	-	-	-	-	1,311,378
Other	-	-	-	-	3,146	-	-	-	-
Total receipts	<u>33,226,207</u>	<u>1,354,619</u>	<u>821,286</u>	<u>3,556,355</u>	<u>2,597,751</u>	<u>500,507</u>	<u>-</u>	<u>-</u>	<u>2,488,872</u>
Disbursements:									
Current:									
Instruction	22,859,443	-	-	-	-	-	-	-	-
Support services	11,171,763	-	-	2,305,753	2,504,120	223,078	-	-	1,019
Noninstructional services	367,165	-	-	-	-	-	-	-	2,522,124
Facilities acquisition and construction	21,271	-	-	2,094,659	-	-	-	1,727,627	-
Debt services	-	1,115,538	872,412	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>34,419,642</u>	<u>1,115,538</u>	<u>872,412</u>	<u>4,400,412</u>	<u>2,504,120</u>	<u>223,078</u>	<u>-</u>	<u>1,727,627</u>	<u>2,523,143</u>
Excess (deficiency) of receipts over disbursements	<u>(1,193,435)</u>	<u>239,081</u>	<u>(51,126)</u>	<u>(844,057)</u>	<u>93,631</u>	<u>277,429</u>	<u>-</u>	<u>(1,727,627)</u>	<u>(34,271)</u>
Other financing sources (uses):									
Sale of capital assets	11,132	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(63,024)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>11,132</u>	<u>(63,024)</u>	<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>(1,182,303)</u>	<u>176,057</u>	<u>(51,126)</u>	<u>(844,057)</u>	<u>93,631</u>	<u>277,429</u>	<u>-</u>	<u>(1,727,627)</u>	<u>(34,271)</u>
Cash and investments - ending	<u>\$ 9,521,189</u>	<u>\$ 867,340</u>	<u>\$ 491,328</u>	<u>\$ 3,862,716</u>	<u>\$ 2,295,834</u>	<u>\$ 2,409,066</u>	<u>\$ 1,044,340</u>	<u>\$ -</u>	<u>\$ 536,627</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 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	Levy Excess	South Central Indiana School Study	Alternative Education	Early Intervention Grant	Stanley Lacy Program	Scholarships and Awards	Donations Kiwanis	Construction Remodeling and Equipping Buildings
Cash and investments - beginning	\$ 531,867	\$ -	\$ 28,970	\$ 2,354	\$ 100	\$ 131	\$ 202,061	\$ 300	\$ 17,716
Receipts:									
Local sources	292,138	2,452	-	-	-	-	20,583	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	261,252	-	-	12,567	7,730	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	553,390	2,452	-	12,567	7,730	-	20,583	-	-
Disbursements:									
Current:									
Instruction	-	-	-	1,530	7,730	-	-	-	-
Support services	473,905	-	1,669	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	17,016
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	28,136	-	-
Total disbursements	473,905	-	1,669	1,530	7,730	-	28,136	-	17,016
Excess (deficiency) of receipts over disbursements	79,485	2,452	(1,669)	11,037	-	-	(7,553)	-	(17,016)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	63,024	57,513	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	63,024	57,513	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	142,509	59,965	(1,669)	11,037	-	-	(7,553)	-	(17,016)
Cash and investments - ending	\$ 674,376	\$ 59,965	\$ 27,301	\$ 13,391	\$ 100	\$ 131	\$ 194,508	\$ 300	\$ 700

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Miscellaneous Programs	K 2009/2010 S-30 PASS	REMC Grant Lilly Program	REMC Grant EMS	Kendrick Grant	St. Francis Donation	K 2010-11 S-19 PASS Program	REMC-Grant Safe Drug Free	Kendrick Grant K2008-2009 C2-09
Cash and investments - beginning	\$ -	\$ -	\$ 2,037	\$ 5,000	\$ -	\$ 983	\$ -	\$ 45	\$ -
Receipts:									
Local sources	-	-	-	-	-	1,200	-	-	-
Intermediate sources	22,400	-	-	-	-	-	-	-	15,235
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	22,400	-	-	-	-	1,200	-	-	15,235
Disbursements:									
Current:									
Instruction	19,498	-	-	4,450	-	-	-	-	-
Support services	-	-	2,037	-	-	1,374	-	45	15,183
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	19,498	-	2,037	4,450	-	1,374	-	45	15,183
Excess (deficiency) of receipts over disbursements	2,902	-	(2,037)	(4,450)	-	(174)	-	(45)	52
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,902	-	(2,037)	(4,450)	-	(174)	-	(45)	52
Cash and investments - ending	\$ 2,902	\$ -	\$ -	\$ 550	\$ -	\$ 809	\$ -	\$ -	\$ 52

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Knights of Columbus PS	Project 03411-195 PN01 GT	Gifted/ Talented 1	Project 03413-195 PN01 GT	Technology Plan Buddy	Excess PTRC Distributions	Project Lead the Way	Title I
Cash and investments - beginning	\$ 2,179	\$ 2,279	\$ -	\$ -	\$ 3,550	\$ -	\$ -	\$ -
Receipts:								
Local sources	900	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	46,551	-	310	57,513	10,000	-
Federal sources	-	-	-	-	-	-	-	639,105
Other	-	-	-	-	-	-	-	-
Total receipts	900	-	46,551	-	310	57,513	10,000	639,105
Disbursements:								
Current:								
Instruction	2,010	1,570	40,810	-	-	-	-	638,189
Support services	-	709	-	-	-	-	10,000	81,664
Noninstructional services	-	-	-	-	-	-	-	22,066
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	2,010	2,279	40,810	-	-	-	10,000	741,919
Excess (deficiency) of receipts over disbursements	(1,110)	(2,279)	5,741	-	310	57,513	-	(102,814)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	76,000
Transfers out	-	-	-	-	-	(57,513)	-	-
Total other financing sources (uses)	-	-	-	-	-	(57,513)	-	76,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,110)	(2,279)	5,741	-	310	-	-	(26,814)
Cash and investments - ending	\$ 1,069	\$ -	\$ 5,741	\$ -	\$ 3,860	\$ -	\$ -	\$ (26,814)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Project 03411-195 PN01 GT	Title I FY 2013	Stewart Homeless Assistance Act 1	Stewart Homeless Assistance Act 2	Homeless 2010/2011	Homeless 2007/2008	Learn and Serve America 2009/2010	IDEA
Cash and investments - beginning	\$ (34,540)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	120,949	-	-	6,115	37,063	292	5,417	55,900
Other	-	-	-	-	-	-	-	-
Total receipts	120,949	-	-	6,115	37,063	292	5,417	55,900
Disbursements:								
Current:								
Instruction	108,904	-	-	-	-	-	-	-
Support services	10,691	-	-	6,115	38,929	292	5,417	55,900
Noninstructional services	4,314	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	123,909	-	-	6,115	38,929	292	5,417	55,900
Excess (deficiency) of receipts over disbursements	(2,960)	-	-	-	(1,866)	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	113,500	-	-	-	-	-	-	-
Transfers out	(76,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	37,500	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	34,540	-	-	-	(1,866)	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (1,866)	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Project 14210-039 PN01	Project 14209-039 PN01	Project 14211-039 PN01	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Federal Assistance Educational Preschool Handicapped	Project 45707-039 PN01 C/O PS	Project 45709-039 PN01 PS	Project 457-039 PN01 PS
Cash and investments - beginning	\$ 1,786	\$ -	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	22,459	-	399,634	685,652	12	-	12,313	31,614
Other	-	-	-	-	-	-	-	-
Total receipts	22,459	-	399,634	685,652	12	-	12,313	31,614
Disbursements:								
Current:								
Instruction	-	-	260,187	402,605	12	-	12,313	33,120
Support services	6,165	-	139,686	323,710	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	18,080	-	-	-	-	-	-	-
Total disbursements	24,245	-	399,873	726,315	12	-	12,313	33,120
Excess (deficiency) of receipts over disbursements	(1,786)	-	(239)	(40,663)	-	-	-	(1,506)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,786)	-	(239)	(40,663)	-	-	-	(1,506)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (40,663)	\$ -	\$ -	\$ -	\$ (1,506)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Drug Free Schools	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 37,000	\$ -	\$ (89,066)	\$ -	\$ 6	\$ 819,353	\$ 25,855,057
Receipts:								
Local sources	-	-	-	-	-	-	-	12,382,490
Intermediate sources	-	-	-	-	-	-	-	37,658
State sources	-	-	-	-	-	-	-	31,541,756
Federal sources	2,828	308,482	19	146,202	2,414	552,491	-	4,360,339
Other	-	-	-	-	-	-	9,239,342	9,242,488
Total receipts	2,828	308,482	19	146,202	2,414	552,491	9,239,342	57,564,731
Disbursements:								
Current:								
Instruction	-	-	243	562	1,001	552,497	-	24,946,674
Support services	2,828	235,604	-	45,752	1,413	-	-	17,664,821
Noninstructional services	-	-	-	-	-	-	-	2,915,669
Facilities acquisition and construction	-	-	-	-	-	-	-	3,860,573
Debt services	-	-	-	-	-	-	-	1,987,950
Nonprogrammed charges	-	-	-	10,822	-	-	9,432,738	9,489,776
Total disbursements	2,828	235,604	243	57,136	2,414	552,497	9,432,738	60,865,463
Excess (deficiency) of receipts over disbursements	-	72,878	(224)	89,066	-	(6)	(193,396)	(3,300,732)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	11,132
Transfers in	-	76,000	-	-	-	-	-	386,037
Transfers out	-	(189,500)	-	-	-	-	-	(386,037)
Total other financing sources (uses)	-	(113,500)	-	-	-	-	-	11,132
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(40,622)	(224)	89,066	-	(6)	(193,396)	(3,289,600)
Cash and investments - ending	\$ -	\$ (3,622)	\$ (224)	\$ -	\$ -	\$ -	\$ 625,957	\$ 22,565,457

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 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	Rainy Day	Construction	School Lunch
Cash and investments - beginning	\$ 9,521,189	\$ 867,340	\$ 491,328	\$ 3,862,716	\$ 2,295,834	\$ 2,409,066	\$ 1,044,340	\$ -	\$ 536,627
Receipts:									
Local sources	1,986,159	1,450,996	871,763	3,820,876	2,780,239	271,734	-	-	1,174,106
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	31,850,172	-	-	-	-	-	-	-	23,284
Federal sources	-	-	-	-	-	-	-	-	1,744,228
Other	1,288	-	-	-	11,789	-	-	-	-
Total receipts	<u>33,837,619</u>	<u>1,450,996</u>	<u>871,763</u>	<u>3,820,876</u>	<u>2,792,028</u>	<u>271,734</u>	<u>-</u>	<u>-</u>	<u>2,941,618</u>
Disbursements:									
Current:									
Instruction	23,618,465	-	-	-	-	-	-	-	-
Support services	11,343,835	-	-	2,531,022	2,496,972	-	-	-	945
Noninstructional services	373,475	-	-	-	-	-	-	-	2,638,587
Facilities acquisition and construction	92,512	-	-	2,406,162	-	-	-	-	-
Debt services	-	1,405,176	871,235	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>35,428,287</u>	<u>1,405,176</u>	<u>871,235</u>	<u>4,937,184</u>	<u>2,496,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,639,532</u>
Excess (deficiency) of receipts over disbursements	<u>(1,590,668)</u>	<u>45,820</u>	<u>528</u>	<u>(1,116,308)</u>	<u>295,056</u>	<u>271,734</u>	<u>-</u>	<u>-</u>	<u>302,086</u>
Other financing sources (uses):									
Sale of capital assets	5,721	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	74,671	-	-	-	-
Transfers out	-	(81,530)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>5,721</u>	<u>(81,530)</u>	<u>-</u>	<u>-</u>	<u>74,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,584,947)</u>	<u>(35,710)</u>	<u>528</u>	<u>(1,116,308)</u>	<u>369,727</u>	<u>271,734</u>	<u>-</u>	<u>-</u>	<u>302,086</u>
Cash and investments - ending	<u>\$ 7,936,242</u>	<u>\$ 831,630</u>	<u>\$ 491,856</u>	<u>\$ 2,746,408</u>	<u>\$ 2,665,561</u>	<u>\$ 2,680,800</u>	<u>\$ 1,044,340</u>	<u>\$ -</u>	<u>\$ 838,713</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 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	Levy Excess	South Central Indiana School Study	Alternative Education	Early Intervention Grant	Stanley Lacy Program	Scholarships and Awards	Donations Kiwanis	Construction Remodeling and Equipping Buildings
Cash and investments - beginning	\$ 674,376	\$ 59,965	\$ 27,301	\$ 13,391	\$ 100	\$ 131	\$ 194,508	\$ 300	\$ 700
Receipts:									
Local sources	245,449	14,715	-	-	-	-	21,485	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	272,464	-	-	13,760	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	517,913	14,715	-	13,760	-	-	21,485	-	-
Disbursements:									
Current:									
Instruction	-	-	-	27,128	-	131	-	-	-
Support services	278,175	-	945	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	26,200	-	-
Total disbursements	278,175	-	945	27,128	-	131	26,200	-	-
Excess (deficiency) of receipts over disbursements	239,738	14,715	(945)	(13,368)	-	(131)	(4,715)	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	81,530	-	-	-	-	-	-	-	-
Transfers out	-	(74,671)	-	-	-	-	-	-	-
Total other financing sources (uses)	81,530	(74,671)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	321,268	(59,956)	(945)	(13,368)	-	(131)	(4,715)	-	-
Cash and investments - ending	\$ 995,644	\$ 9	\$ 26,356	\$ 23	\$ 100	\$ -	\$ 189,793	\$ 300	\$ 700

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Miscellaneous Programs	K 2009/2010 S-30 PASS	REMC Grant Lilly Program	REMC Grant EMS	Kendrick Grant	St. Francis Donation	K 2010-11 S-19 PASS Program	REMC-Grant Safe Drug Free	Kendrick Grant K2008-2009 C2-09
Cash and investments - beginning	\$ 2,902	\$ -	\$ -	\$ 550	\$ -	\$ 809	\$ -	\$ -	\$ 52
Receipts:									
Local sources	-	-	100	-	5,000	-	5,000	-	-
Intermediate sources	1,000	30,000	-	-	-	-	-	22,400	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,000	30,000	100	-	5,000	-	5,000	22,400	-
Disbursements:									
Current:									
Instruction	3,631	758	87	-	-	-	-	18,667	-
Support services	-	-	-	-	-	-	4,997	-	52
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	29,242	-	-	5,000	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,631	30,000	87	-	5,000	-	4,997	18,667	52
Excess (deficiency) of receipts over disbursements	(2,631)	-	13	-	-	-	3	3,733	(52)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,631)	-	13	-	-	-	3	3,733	(52)
Cash and investments - ending	\$ 271	\$ -	\$ 13	\$ 550	\$ -	\$ 809	\$ 3	\$ 3,733	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Knights of Columbus PS	Project 03411-195 PN01 GT	Gifted/ Talented 1	Project 03413-195 PN01 GT	Technology Plan Buddy	Excess PTRC Distributions	Project Lead the Way	Title I
Cash and investments - beginning	\$ 1,069	\$ -	\$ 5,741	\$ -	\$ 3,860	\$ -	\$ -	\$ (26,814)
Receipts:								
Local sources	900	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	51,193	-	-	-	-
Federal sources	-	-	-	-	-	-	-	135,263
Other	-	-	-	-	-	-	-	-
Total receipts	900	-	-	51,193	-	-	-	135,263
Disbursements:								
Current:								
Instruction	727	-	5,741	46,785	-	-	-	86,186
Support services	-	-	-	-	-	-	-	17,158
Noninstructional services	-	-	-	-	-	-	-	5,105
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	727	-	5,741	46,785	-	-	-	108,449
Excess (deficiency) of receipts over disbursements	173	-	(5,741)	4,408	-	-	-	26,814
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	173	-	(5,741)	4,408	-	-	-	26,814
Cash and investments - ending	\$ 1,242	\$ -	\$ -	\$ 4,408	\$ 3,860	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Project 03411-195 PN01 GT	Title I FY 2013	Stewart Homeless Assistance Act 1	Stewart Homeless Assistance Act 2	Homeless 2010/2011	Homeless 2007/2008	Learn and Serve America 2009/2010	IDEA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (1,866)	\$ -	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	733,226	38,801	-	17,937	9,708	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	733,226	38,801	-	17,937	9,708	-	-
Disbursements:								
Current:								
Instruction	-	673,357	-	-	-	-	-	-
Support services	-	79,532	40,631	-	16,071	9,708	-	-
Noninstructional services	-	22,324	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	775,213	40,631	-	16,071	9,708	-	-
Excess (deficiency) of receipts over disbursements	-	(41,987)	(1,830)	-	1,866	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(41,987)	(1,830)	-	1,866	-	-	-
Cash and investments - ending	\$ -	\$ (41,987)	\$ (1,830)	\$ -	\$ -	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Project 14210-039 PN01	Project 14209-039 PN01	Project 14211-039 PN01	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Federal Assistance Educational Preschool Handicapped	Project 45707-039 PN01 C/O PS	Project 45709-039 PN01 PS	Project 457-039 PN01 PS
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (40,663)	\$ -	\$ -	\$ -	\$ (1,506)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	658,424	-	497,395	-	39,212	-	6,346
Other	-	-	-	-	-	-	-	-
Total receipts	-	658,424	-	497,395	-	39,212	-	6,346
Disbursements:								
Current:								
Instruction	-	355,783	-	313,163	-	40,740	-	4,840
Support services	-	355,069	-	143,569	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	710,852	-	456,732	-	40,740	-	4,840
Excess (deficiency) of receipts over disbursements	-	(52,428)	-	40,663	-	(1,528)	-	1,506
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(52,428)	-	40,663	-	(1,528)	-	1,506
Cash and investments - ending	\$ -	\$ (52,428)	\$ -	\$ -	\$ -	\$ (1,528)	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Drug Free Schools	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Special Education Part B	Special Education Part B Preschool	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (3,622)	\$ (224)	\$ -	\$ -	\$ -	\$ 625,957	\$ 22,565,457
Receipts:								
Local sources	-	-	-	-	-	-	-	12,648,522
Intermediate sources	-	-	-	-	-	-	-	53,400
State sources	-	-	-	-	-	-	-	32,210,873
Federal sources	-	180,295	224	-	-	20,938	-	4,081,997
Other	-	-	-	-	-	-	12,067,208	12,080,285
Total receipts	-	180,295	224	-	-	20,938	12,067,208	61,075,077
Disbursements:								
Current:								
Instruction	-	-	-	-	-	20,938	-	25,217,127
Support services	-	182,792	-	-	-	-	-	17,501,473
Noninstructional services	-	-	-	-	-	-	-	3,039,491
Facilities acquisition and construction	-	-	-	-	-	-	-	2,532,916
Debt services	-	-	-	-	-	-	-	2,276,411
Nonprogrammed charges	-	-	-	-	-	-	12,563,600	12,589,800
Total disbursements	-	182,792	-	-	-	20,938	12,563,600	63,157,218
Excess (deficiency) of receipts over disbursements	-	(2,497)	224	-	-	-	(496,392)	(2,082,141)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	5,721
Transfers in	-	-	-	-	-	-	-	156,201
Transfers out	-	-	-	-	-	-	-	(156,201)
Total other financing sources (uses)	-	-	-	-	-	-	-	5,721
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,497)	224	-	-	-	(496,392)	(2,076,420)
Cash and investments - ending	\$ -	\$ (6,119)	\$ -	\$ -	\$ -	\$ -	\$ 129,565	\$ 20,489,037

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,671,081</u>	<u>\$ 2,814,481</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital Leases:				
Series 2011	High School and South Elementary School	\$ 621,424	07-01-11	01-01-16
Series 2005	High School	<u>782,500</u>	07-15-06	01-15-17
Total of annual lease payments		<u>\$ 1,403,924</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Bonds Payable	Finance Retirement/Service	\$ 3,120,000	\$ 872,608
Totals		<u>\$ 3,120,000</u>	<u>\$ 872,608</u>

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METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 272,457
Buildings	36,463,174
Improvements other than buildings	4,388,330
Machinery, equipment, and vehicles	<u>6,034,993</u>
Total capital assets	<u>\$ 47,158,954</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Metropolitan School District of Martinsville's (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 period of July 1, 2011 to 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 period of July 1, 2011 to June 30, 2013.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-004 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be significant deficiencies.

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

***Other Matters***

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

January 16, 2014

## 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.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2012 and 2013

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY2012 and FY2013	\$ 398,815	\$ 410,370
National School Lunch Program	10.555	FY2012 and FY2013	1,237,645	1,321,154
Summer Food Service Program for Children	10.559	FY2012 and FY2013	44,054	68,452
Total for cluster			1,680,514	1,799,976
Child and Adult Care Food Program	10.558	FY2012 and FY2013	1,143	759
Total for federal grantor agency			1,681,657	1,800,735
<b><u>U.S. DEPARTMENT OF COMMERCE</u></b>				
Direct Grant				
Low-Power Television and Translator Digital-To-Analog Conversion FY 2011/2012	11.554	FY 2012	-	-
Total for federal grantor agency			20,000	-
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010		-	-
FY 10-11-5925		FY2011	120,949	-
FY 11-12-5925		FY2012	639,105	135,263
FY 12-13-5925		FY2013	-	733,226
Total for program			760,054	868,489
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY2012 and FY2013	19	224
Total for cluster			760,073	868,713
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027		-	-
IDEA Technology Grant		FY2012	55,900	-
14210-039-PN01		FY2010	22,459	-
14211-039-PN01		FY2011	399,634	-
14212-039-PN01		FY2012	685,652	497,395
14213-039-PN01		FY2013	-	658,424
Total for program			1,163,645	1,155,819

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2012 and 2013  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Special Education Cluster (IDEA) (continued)				
Special Education - Preschool Grants	84.173		-	-
45711-039-PN01 PS		FY2011	12,313	-
45712-039-PN01 PS		FY2012	31,614	6,346
45713-039-PN01 PS		FY2013	-	39,212
			<u>43,927</u>	<u>45,558</u>
Total for program			<u>43,927</u>	<u>45,558</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY2010	57,431	-
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	FY2010	2,414	-
Total for cluster			<u>1,267,417</u>	<u>1,201,377</u>
Education for Homeless Children and Youth Cluster				
Education for Homeless Children and Youth	84.196		-	-
Stewart Homeless FY 12/13		FY2013	-	38,801
McKinney Vento Homeless FY 10/11		FY2011	6,115	-
McKinney Vento Homeless FY 11/12		FY2012	37,063	17,937
McKinney Vento Homeless FY 12/13		FY2013	292	9,708
			<u>43,470</u>	<u>66,446</u>
Total for cluster			<u>43,470</u>	<u>66,446</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY2012	2,828	-
Improving Teacher Quality State Grants				
FY 09	84.367	FY 2009	120,475	-
FY 10		FY 2010	160,969	-
FY 11		FY 2011	27,039	135,699
FY 12		FY 2012	-	44,596
			<u>308,483</u>	<u>180,295</u>
Total for program			<u>308,483</u>	<u>180,295</u>
Education Jobs Fund	84.410	FY2012 and FY2013	552,491	20,938
Total for federal grantor agency			<u>2,934,762</u>	<u>2,337,769</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004	FY2013	5,417	-
Total for federal grantor agency			<u>5,417</u>	<u>-</u>
Total federal awards expended			<u>\$ 4,641,836</u>	<u>\$ 4,138,504</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan School District of Martinsville (School Corporation) and is presented in accordance with the 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.

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	<u>\$ 212,525</u>	<u>\$ 209,054</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Improving Teacher Quality State Grants Special Education Cluster Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROL OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations for entities receiving federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The School Corporation did not have proper procedures in place to ensure that the SEFA prepared was materially correct.

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

Effective internal control over preparation of the SEFA involves the identification and analysis of the risks of material misstatement to the School Corporation's audited SEFA and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of SEFA that are reliable for the SEFA and as a result has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA.

The School Corporation did not have a proper system of internal control in place to prevent ,or detect and correct, errors on the SEFA. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (1) The SEFA was overstated by \$7,163,290 due to some federal grants reported for the wrong amounts and other grants being included that were not federal grants; and (2) some federal grants were not reported that should have been. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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 Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.

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

- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

**FINDING 2013-002 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER ACTIVITIES ALLOWED OR UNALLOWED, CASH MANAGEMENT, AND REPORTING**

Federal Agency: U.S. Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Number and Year (or Other Identifying Number): FY 2009, FY 2010, FY 2011, FY 2012

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Cash Management, and Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

In reviewing the Improving Teacher Quality grant it was noted that there was no evidence the monthly expenditure reports filed by the Treasurer were reviewed by someone knowledgeable of the grant.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Cash Management, and Reporting compliance requirements.

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER ALLOWABLE COST/COST PRINCIPLE***

Federal Agency: U.S. Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Number and Year (or Other Identifying Number): FY 2009, FY 2010, FY 2011,  
FY 2012

Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education

Federal Program: Special Education - Grants to States; Special Education - Preschool Grants;  
Special Education - Grants to States, Recovery Act;  
Special Education - Preschool Grants, Recovery Act

CFDA Number: 84.027; 84.173; 84.391; 84.392

Federal Award Number and Year (or Other Identifying Number): FY 2010, FY 2011,  
FY 2012, FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance for Allowable Costs/Cost Principles. The failure to establish an effective internal control system places the School Corporation at risk of material noncompliance with the grant agreement and the compliance requirements.

Employees of the School Corporation who were paid from the Improving Teacher Quality State Grants worked solely for the grant purposes and were not paid from other funds. These employees were required to complete a semiannual certification in order to comply with the required time and effort reporting. No semiannual certifications were presented for the audit period.

Some employees of the School Corporation were paid from the Special Education Grant funds. Some of these employees worked solely for the grant purpose and were not paid from other funds. Semi-annual certifications were presented for these employees; however, they were dated the day of the request and not maintained during the period of coverage. Other employees were paid from multiple funds and worked on multiple activities or cost objectives. No personnel activity reports or equivalent were presented for split-funded employees.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

OMB circular A 87, Attachment B, item 8(h), states in part:

- "(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi- annually and will be signed by the employee or supervisory official having first -hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency."

Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls to ensure the Allowable Costs/Cost Principles compliance requirement is complied with.

***FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: U.S. Department of Education  
Federal Program: Special Education - Grants to States, Recovery Act  
CFDA Number: 84.391  
Federal Award Number and Year (or Other Identifying Number): FY2010  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance for Equipment and Real Property Management. The failure to establish an effective internal control system places the School Corporation at risk of material noncompliance with the grant agreement and the compliance requirements.

The School Corporation does not maintain records that identify equipment and other property acquired with federal monies. No system exists to provide separate identification for items acquired with federal and nonfederal funds. No physical inventory of federally purchased equipment was presented for audit. The School Corporation used their ARRA - Special Education - Grants to States, Recovery Act to purchase equipment to be used for their Special Education programs. Equipment purchases during the audit period from the ARRA funds represented 39.3 percent of grant expenditures.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

34 CFR 80.32(d) states:

"Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation design and properly monitor procedures that would ensure accurate detailed equipment and property records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed equipment and property records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

# Metropolitan School District of Martinsville

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

## Board of Education

Steve Brock, President  
Stephanie Fraker, Vice President  
Beckie Weddle, Secretary  
Kenny Costin, Member  
Tammy Hamilton, Member

## Superintendent

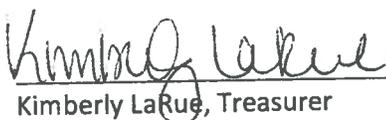
Ron Furniss  
Assistant Superintendent, Business  
Randy Taylor  
Assistant Superintendent, Instruction  
Jerry Sanders  
Treasurer  
Sandra Hart

## FINDING 2011-1 INTERNAL CONTROL/EQUIPMENT AND REAL PROPERTY MANAGEMENT

Original SBA Audit Report Number	B40149
Fiscal Year	2009-2011
Auditee Contact Person	Kimberly LaRue
Title of Contact Person	Treasurer

Federal Agency: U.S. Department of Education  
Federal Program: Special Education Cluster  
CFDA Number: Indiana Department of Revenue

No corrective action has been taken

  
\_\_\_\_\_  
Kimberly LaRue, Treasurer

1/8/2014  
Date

**Good Schools Becoming  
Better**

# *Metropolitan School District of Martinsville*

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**Tammy Hamilton, Member**

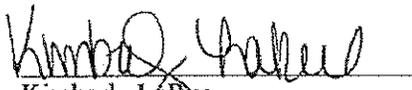
## **Superintendent**

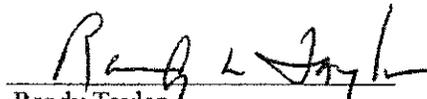
**Ron Furniss**  
**Assistant Superintendent, Business**  
**Randy Taylor**  
**Assistant Superintendent, Instruction**  
**Jerry Sanders**  
**Treasurer**  
**Kimberly LaRue**

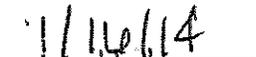
## **CORRECTIVE ACTION PLAN**

### **FINDING 2013-001-INTERNAL CONTROL OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The M.S.D of Martinsville has been instructed on how to prepare Schedule of Expenditures of Federal Awards statement for future audits.

  
\_\_\_\_\_  
Kimberly LaRue  
Treasurer

  
\_\_\_\_\_  
Randy Taylor  
Asst. Superintendent

  
\_\_\_\_\_  
Date

# Metropolitan School District of Martinsville

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## Superintendent

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Assistant Superintendent, Business  
Randy Taylor  
Assistant Superintendent, Instruction  
Jerry Sanders  
Treasurer  
Kimberly LaRue

## CORRECTIVE ACTION PLAN

### FINDING 2013-002-INTERNAL CONTROL OVER COMPLIANCE THAT HAVE A DIRECT AND MATERIAL EFFECT OVER ACTIVITIES ALLOWED OF UNALLOWED, CASH MANAGEMENT REPORTING

FEDERAL AGENCY: U.S. DEPARTMENT OF EDUCATION

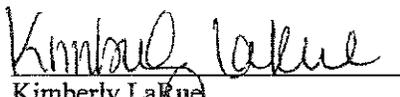
FEDERAL PROGRAM: IMPROVING TEACHER QUALITY STATE GRANTS

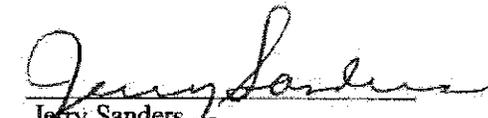
CFDA NUMBER: 84.367

FEDERAL AWARD NUMBER AND YEAR: FY 2009, FY 2010, FY 2011, FY 2012

PASS-THROUGH ENTITY: INDIANA DEPARTMENT OF EDUCATION

Corrective Action: All monthly expenditures reports will be sent to grant administrator before sending to the state for reimbursements. Grant administrator will monitor all teachers being paid from grant monthly.

  
Kimberly LaRue  
Treasurer

  
Jerry Sanders  
Asst. Superintendent

11/16/14  
Date

# *Metropolitan School District of Martinsville*

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*Tammy Hamilton, Member*

## **Superintendent**

*Ron Furniss*  
*Assistant Superintendent, Business*  
*Randy Taylor*  
*Assistant Superintendent, Instruction*  
*Jerry Sanders*  
**Treasurer**  
*Kimberly LaRue*

## **CORRECTIVE ACTION PLAN**

### **FINDING 2013-003-INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER ALLOWABLE COST/COST PRINCIPLE**

FEDERAL AGENCY: U.S. DEPARTMENT OF EDUCATION

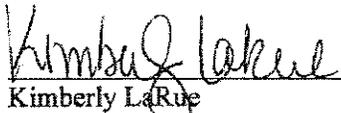
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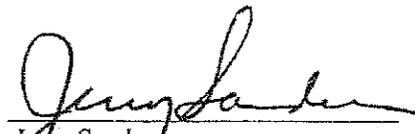
CFDA NUMBER: 84.367

FEDERAL AWARD NUMBER AND YEAR (OR OTHER IDENTIFYING NUMBER): FY 2009, FY 2010, FY 2011, FY 2012

PASS-THROUGH ENTITY: INDIANA DEPARTMENT OF EDUCATION

Corrective Action: Grant administrator was unaware that the grant required time and effort reports on full and part time employees. Will be able to provide time and effort report for future audits.

  
\_\_\_\_\_  
Kimberly LaRue  
Treasurer

  
\_\_\_\_\_  
Jerry Sanders  
Asst. Superintendent

  
\_\_\_\_\_  
Date

CORRECTIVE ACTION PLAN

**Finding 2013-003 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER ALLOWABLE COST/COST PRINCIPLES**

Federal Agency: U.S. Department of Education

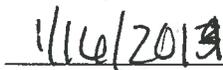
Federal Program: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act  
CFDA Number: 84.027, 84.173, 84.391, and 84.392

Federal Award Number and Year (or Other Identifying Number): FY 2010, FY 2011, FY 2012, and FY 2013

Pass-Through Entity: Indiana Department of Education

Corrective Action: Grant administrator will maintain control over time and effort reports with correct dates. Time and effort reports will be completed for all employee being paid from future grants.

  
\_\_\_\_\_  
Kimberly LaRue  
Treasurer

  
\_\_\_\_\_  
Date

CORRECTIVE ACTION PLAN

**FINDING 2013-004 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: U.S. Department of Education  
Federal Program: Special Education - Grants to States, Recovery Act  
CFDA Number: 84.391  
Federal Award Number and Year (or Other Identifying Number): FY2010  
Pass-Through Entity: Indiana Department of Education

Corrective Action: Grant administrator will maintain records that identify equipment or other property paid with federal money. Will conduct a physical inventory all such property acquired with federal money.

  
\_\_\_\_\_  
Kimberly LaRue  
Treasurer  
  
1/16/14  
\_\_\_\_\_  
Date

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2014, with Randy Taylor, Assistant Superintendent of Schools; Jerry Sanders, Assistant Superintendent of Schools; Rebecca J. Weddle, President of the School Board; Kimberly LaRue, Treasurer; and Kathy Gilbreath, Administrative Assistant. Our audit disclosed no material items that warrant comment at this time.