

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

AUDIT REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
MORGAN COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/11/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra K. Hart	07-01-07 to 06-30-10
Superintendent of Schools	Ronald Furniss	07-01-07 to 06-30-10
President of the School Board	Randy Wells Kenneth Costin Mary Lou Thomas Charles Sampson	01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Martinsville (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 20, 2010, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 21, 2010



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Martinsville (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

January 21, 2010

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 25,792,472	\$ -	\$ 213,810	\$ (25,578,662)
Support services	15,896,950	1,459,359	1,282,208	(13,155,383)
Noninstructional services	2,571,058	-	-	(2,571,058)
Facilities acquisition and construction	2,469,214	-	-	(2,469,214)
Debt service	2,867,452	-	-	(2,867,452)
Nonprogrammed charges	<u>12,669</u>	<u>-</u>	<u>-</u>	<u>(12,669)</u>
Total governmental activities	<u>\$ 49,609,815</u>	<u>\$ 1,459,359</u>	<u>\$ 1,496,018</u>	<u>(46,654,438)</u>
General receipts:				
Property taxes				15,243,865
Other local sources				4,610,115
State aid				20,926,403
Bonds and loans				970,779
Grants and contributions not restricted to specific programs				2,992,234
Sale of property				651,709
Investment earnings				659,924
Other				<u>1,312</u>
Total general receipts				<u>46,056,341</u>
Change in net assets				(598,097)
Net assets - beginning				<u>14,232,701</u>
Net assets - ending				<u>\$ 13,634,604</u>
<u>Assets</u>				
Cash and investments				\$ 13,100,484
Restricted assets:				
Cash and investments				<u>534,120</u>
Total assets				<u>\$ 13,634,604</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 534,120
Unrestricted				<u>13,100,484</u>
Total net assets				<u>\$ 13,634,604</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 24,809,676	\$ -	\$ 192,025	\$ (24,617,651)
Support services	17,727,325	1,422,861	1,707,216	(14,597,248)
Noninstructional services	2,739,672	-	-	(2,739,672)
Facilities acquisition and construction	2,515,307	-	-	(2,515,307)
Debt service	3,260,146	-	-	(3,260,146)
Nonprogrammed charges	20,024	-	-	(20,024)
<u>Total governmental activities</u>	<u>\$ 51,072,150</u>	<u>\$ 1,422,861</u>	<u>\$ 1,899,241</u>	<u>(47,750,048)</u>
General receipts:				
Property taxes				21,413,973
Other local sources				5,874,356
State aid				23,957,780
Bonds and loans				347,496
Grants and contributions not restricted to specific programs				5,415,796
Investment earnings				206,545
Other				235,048
<u>Total general receipts</u>				<u>57,450,994</u>
Change in net assets				9,700,946
Net assets - beginning				13,634,604
<u>Net assets - ending</u>				<u>\$ 23,335,550</u>
<u>Assets</u>				
Cash and investments				\$ 22,014,789
Restricted assets:				
Cash and investments				1,320,761
<u>Total assets</u>				<u>\$ 23,335,550</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,320,761
Unrestricted				22,014,789
<u>Total net assets</u>				<u>\$ 23,335,550</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 11,375,517	\$ 3,857,202	\$ 6,740,079	\$ 21,972,798
Intermediate sources	465	-	-	465
State sources	21,087,756	-	616,568	21,704,324
Federal sources	2,667	-	3,705,163	3,707,830
Temporary loans	-	-	969,328	969,328
Other	3,813	-	-	3,813
	<u>32,470,218</u>	<u>3,857,202</u>	<u>12,031,138</u>	<u>48,358,558</u>
Total receipts				
Disbursements:				
Current:				
Instruction	23,987,283	-	1,805,189	25,792,472
Support services	9,595,633	1,921,717	4,379,600	15,896,950
Noninstructional services	347,852	-	2,223,206	2,571,058
Facilities acquisition and construction	46,139	2,402,264	20,811	2,469,214
Debt services	-	-	2,867,452	2,867,452
Nonprogrammed charges	12,669	-	-	12,669
	<u>33,989,576</u>	<u>4,323,981</u>	<u>11,296,258</u>	<u>49,609,815</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(1,519,358)</u>	<u>(466,779)</u>	<u>734,880</u>	<u>(1,251,257)</u>
Other financing sources (uses):				
Proceeds of long-term debt	-	-	1,451	1,451
Sale of capital assets	651,709	-	-	651,709
Transfers in	56,568	-	190,942	247,510
Transfers out	(82)	-	(247,428)	(247,510)
	<u>708,195</u>	<u>-</u>	<u>(55,035)</u>	<u>653,160</u>
Total other financing sources (uses)				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(811,163)</u>	<u>(466,779)</u>	<u>679,845</u>	<u>(598,097)</u>
Cash and investments - beginning	<u>10,023,003</u>	<u>2,624,487</u>	<u>1,585,211</u>	<u>14,232,701</u>
Cash and investments - ending	<u>\$ 9,211,840</u>	<u>\$ 2,157,708</u>	<u>\$ 2,265,056</u>	<u>\$ 13,634,604</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 9,211,840	\$ 2,157,708	\$ 1,730,936	\$ 13,100,484
Restricted assets:				
Cash and investments	-	-	534,120	534,120
Total cash and investment assets - ending	<u>\$ 9,211,840</u>	<u>\$ 2,157,708</u>	<u>\$ 2,265,056</u>	<u>\$ 13,634,604</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Debt service	\$ -	\$ -	\$ 534,120	\$ 534,120
Unrestricted	<u>9,211,840</u>	<u>2,157,708</u>	<u>1,730,936</u>	<u>13,100,484</u>
Total cash and investment fund balance - ending	<u>\$ 9,211,840</u>	<u>\$ 2,157,708</u>	<u>\$ 2,265,056</u>	<u>\$ 13,634,604</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Fiscal Stabilization	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 12,257,046	\$ -	\$ 6,317,885	\$ 10,336,809	\$ 28,911,740
Intermediate sources	5,995	-	-	-	5,995
State sources	24,099,958	-	-	529,216	24,629,174
Federal sources	208,896	2,684,359	-	3,750,388	6,643,643
Temporary loans	-	-	-	347,496	347,496
Other	233,564	-	-	1,484	235,048
Total receipts	<u>36,805,459</u>	<u>2,684,359</u>	<u>6,317,885</u>	<u>14,965,393</u>	<u>60,773,096</u>
Disbursements:					
Current:					
Instruction	23,259,328	-	-	1,550,348	24,809,676
Support services	11,365,158	-	1,785,176	4,576,991	17,727,325
Noninstructional services	367,762	-	-	2,371,910	2,739,672
Facilities acquisition and construction	32,618	-	2,482,689	-	2,515,307
Debt services	-	-	-	3,260,146	3,260,146
Nonprogrammed charges	20,024	-	-	-	20,024
Total disbursements	<u>35,044,890</u>	<u>-</u>	<u>4,267,865</u>	<u>11,759,395</u>	<u>51,072,150</u>
Excess of receipts over disbursements	<u>1,760,569</u>	<u>2,684,359</u>	<u>2,050,020</u>	<u>3,205,998</u>	<u>9,700,946</u>
Other financing sources (uses):					
Transfers in	26,007	-	37,282	1,440,991	1,504,280
Transfers out	(855,282)	-	(109,506)	(539,492)	(1,504,280)
Total other financing sources (uses)	<u>(829,275)</u>	<u>-</u>	<u>(72,224)</u>	<u>901,499</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>931,294</u>	<u>2,684,359</u>	<u>1,977,796</u>	<u>4,107,497</u>	<u>9,700,946</u>
Cash and investments - beginning	<u>9,211,839</u>	<u>-</u>	<u>2,157,709</u>	<u>2,265,056</u>	<u>13,634,604</u>
Cash and investments - ending	<u>\$ 10,143,133</u>	<u>\$ 2,684,359</u>	<u>\$ 4,135,505</u>	<u>\$ 6,372,553</u>	<u>\$ 23,335,550</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 10,143,133	\$ 2,684,359	\$ 4,135,505	\$ 5,051,792	\$ 22,014,789
Restricted assets:					
Cash and investments	-	-	-	1,320,761	1,320,761
Total cash and investment assets - ending	<u>\$ 10,143,133</u>	<u>\$ 2,684,359</u>	<u>\$ 4,135,505</u>	<u>\$ 6,372,553</u>	<u>\$ 23,335,550</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 1,320,761	\$ 1,320,761
Unrestricted	10,143,133	2,684,359	4,135,505	5,051,792	22,014,789
Total cash and investment fund balance - ending	<u>\$ 10,143,133</u>	<u>\$ 2,684,359</u>	<u>\$ 4,135,505</u>	<u>\$ 6,372,553</u>	<u>\$ 23,335,550</u>

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds	Payroll Agency Fund
Additions:		
Contributions:		
Other	\$ 60,322	
Investment earnings:		
Interest	6,886	
Total additions	67,208	
Deductions:		
Administrative and general	52,411	
Excess of total additions over total deductions	14,797	
Cash and investment fund balance - beginning	233,008	
Cash and investment fund balance - ending	\$ 247,805	\$ 792,666
Net assets:		
Cash and investments	\$ 247,805	
Total net assets - cash and investment basis held in trust	\$ 247,805	

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Payroll Agency Fund
Additions:		
Contributions:		
Other	\$ 84,895	
Investment earnings:		
Interest	6,633	
Total additions	91,528	
Deductions:		
Administrative and general	114,653	
Deficiency of total additions over total deductions	(23,125)	
Cash and investment fund balance - beginning	247,805	
Cash and investment fund balance - ending	\$ 224,680	\$ 785,820
Net assets:		
Cash and investments	\$ 224,680	
Total net assets - cash and investment basis held in trust	\$ 224,680	

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Metropolitan School District of Martinsville

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

Joint Venture

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fiscal stabilization accounts for fiscal stabilization-education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students and the teachers.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

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

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

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

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

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

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

Investment Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

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

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

Foreign Currency Risk

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	Capital Projects	\$ -	\$ 37,282
	Other governmental funds	82	818,000
Capital Projects	Other governmental funds	-	109,506
Other governmental funds	General Fund	56,568	26,007
	Other governmental funds	<u>190,860</u>	<u>513,485</u>
Totals		<u>\$ 247,510</u>	<u>\$ 1,504,280</u>

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

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

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

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

B. Holding Corporation

The School Corporation has entered into a capital lease (Series 2004) with The Greater Martinsville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the 2008-2009 year totaled \$626,000.

C. Termination Benefits

During the current year, the School Corporation offered to pay a one-time early retirement incentive of \$17,500 for the 2008-2009 school year. To qualify for the retirement incentive, the teacher must have attained the age of 55 and have taught continuously for the past 15 years in MSD Martinsville.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 449,996
Interest on net pension obligation	(44,782)
Adjustment to annual required contribution	51,032
Annual pension cost	456,246
Contributions made	407,782
Increase in net pension obligation	48,464
Net pension obligation, beginning of year	(617,678)
Net pension obligation, end of year	\$ (569,214)

	PERF
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	33 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

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

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 370,938	91%	\$ (708,656)
	06-30-07	450,558	80%	(617,678)
	06-30-08	456,246	89%	(569,214)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$610,653, \$538,452, and \$463,180, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 5,879,384	\$ 6,732,318	\$ (852,934)	87%	\$ 5,957,804	(14%)
07-01-07	6,364,830	7,122,847	(758,017)	89%	6,010,519	(13%)
07-01-08	6,555,115	7,624,786	(1,069,671)	86%	6,392,156	(17%)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Transportation Operating	Preschool Special Education	School Lunch	Textbook Rental	South Central Indiana School Study	Alternative Education Grant	Early Intervention Grant
Receipts:							
Local sources	\$ 2,353,754	\$ 28,069	\$ 1,254,346	\$ 446,879	\$ 2,300	\$ -	\$ -
State sources	-	100,805	27,743	212,273	-	15,692	34,536
Federal sources	-	-	975,192	-	-	-	-
Temporary loans	258,127	-	-	-	-	-	-
Total receipts	2,611,881	128,874	2,257,281	659,152	2,300	15,692	34,536
Disbursements:							
Current:							
Instruction	-	172,393	-	-	-	31,680	30,982
Support services	2,306,292	-	985	604,146	6,091	-	6,223
Noninstructional services	-	-	2,197,973	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	230,243	-	-	-	-	-	-
Total disbursements	2,536,535	172,393	2,198,958	604,146	6,091	31,680	37,205
Excess (deficiency) of receipts over disbursements	75,346	(43,519)	58,323	55,006	(3,791)	(15,988)	(2,669)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	75,346	(43,519)	58,323	55,006	(3,791)	(15,988)	(2,669)
Cash and investments - beginning	98,283	55,819	98,108	270,595	22,980	66,826	6,223
Cash and investments - ending	\$ 173,629	\$ 12,300	\$ 156,431	\$ 325,601	\$ 19,189	\$ 50,838	\$ 3,554
Cash and Investment Assets - Ending							
Cash and investments	\$ 173,629	\$ 12,300	\$ 156,431	\$ 325,601	\$ 19,189	\$ 50,838	\$ 3,554
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 173,629	\$ 12,300	\$ 156,431	\$ 325,601	\$ 19,189	\$ 50,838	\$ 3,554
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	173,629	12,300	156,431	325,601	19,189	50,838	3,554
Total cash and investment fund balance - ending	\$ 173,629	\$ 12,300	\$ 156,431	\$ 325,601	\$ 19,189	\$ 50,838	\$ 3,554

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Instructional Support Fund	Non-English Speaking Program	Technology Planning Grant	Project 4 R's	Title I 2008	Title I 2009	Title V Project 05-120
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	50,497	2,109	172,913	-	-	-	-
Federal sources	-	-	-	-	112,060	691,053	-
Temporary loans	-	-	-	-	-	-	-
Total receipts	50,497	2,109	172,913	-	112,060	691,053	-
Disbursements:							
Current:							
Instruction	39,372	-	-	-	34,922	678,342	209
Support services	-	-	-	-	4,408	63,088	18,091
Noninstructional services	-	-	-	-	1,375	23,858	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	39,372	-	-	-	40,705	765,288	18,300
Excess (deficiency) of receipts over disbursements	11,125	2,109	172,913	-	71,355	(74,235)	(18,300)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	78,479	-
Transfers out	-	-	-	-	(78,479)	-	-
Total other financing sources (uses)	-	-	-	-	(78,479)	78,479	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,125	2,109	172,913	-	(7,124)	4,244	(18,300)
Cash and investments - beginning	-	1,442	-	173	7,124	-	18,300
Cash and investments - ending	\$ 11,125	\$ 3,551	\$ 172,913	\$ 173	\$ -	\$ 4,244	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 11,125	\$ 3,551	\$ 172,913	\$ 173	\$ -	\$ 4,244	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 11,125	\$ 3,551	\$ 172,913	\$ 173	\$ -	\$ 4,244	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,125	3,551	172,913	173	-	4,244	-
Total cash and investment fund balance - ending	\$ 11,125	\$ 3,551	\$ 172,913	\$ 173	\$ -	\$ 4,244	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title V Project 06-5925	Title V Project 07-5925	Homeless Children 2005-2006	Homeless Children 2005-2006 Transportation	Homeless Children 2007-2008	Homeless Children 2008-2009
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	4,536	-	-	-	12,000	55,000
Temporary loans	-	-	-	-	-	-
Total receipts	<u>4,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>55,000</u>
Disbursements:						
Current:						
Instruction	3,608	-	1,334	-	2,288	-
Support services	57,035	36,496	11,393	7,520	46,539	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>60,643</u>	<u>36,496</u>	<u>12,727</u>	<u>7,520</u>	<u>48,827</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(56,107)</u>	<u>(36,496)</u>	<u>(12,727)</u>	<u>(7,520)</u>	<u>(36,827)</u>	<u>55,000</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	109,881	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>109,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(56,107)</u>	<u>73,385</u>	<u>(12,727)</u>	<u>(7,520)</u>	<u>(36,827)</u>	<u>55,000</u>
Cash and investments - beginning	<u>62,445</u>	<u>-</u>	<u>12,727</u>	<u>7,520</u>	<u>55,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,338</u>	<u>\$ 73,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,173</u>	<u>\$ 55,000</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 6,338	\$ 73,385	\$ -	\$ -	\$ 18,173	\$ 55,000
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 6,338</u>	<u>\$ 73,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,173</u>	<u>\$ 55,000</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>6,338</u>	<u>73,385</u>	<u>-</u>	<u>-</u>	<u>18,173</u>	<u>55,000</u>
Total cash and investment fund balance - ending	<u>\$ 6,338</u>	<u>\$ 73,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,173</u>	<u>\$ 55,000</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Serve America	Serve America 2007-2008	Grant Idea PL 101-476	Grant 14207-039 PN 01	Grant 14206-039 PL 02	Grant Idea PL 101-476
Receipts:						
Local sources	\$	-	\$	-	\$	1,723
State sources		-		-		-
Federal sources		20,000	809,756	299,580	41,148	18,851
Temporary loans		-	-	-	-	-
Total receipts		<u>20,000</u>	<u>809,756</u>	<u>299,580</u>	<u>42,871</u>	<u>18,851</u>
Disbursements:						
Current:						
Instruction		-	569,981	173,481	11,019	685
Support services	2,290	4,498	238,455	88,907	65,958	9,621
Noninstructional services		-	-	-	-	-
Facilities acquisition and construction		-	-	146	-	-
Debt services		-	-	-	-	-
Total disbursements	<u>2,290</u>	<u>4,498</u>	<u>808,436</u>	<u>262,534</u>	<u>76,977</u>	<u>10,306</u>
Excess (deficiency) of receipts over disbursements	<u>(2,290)</u>	<u>15,502</u>	<u>1,320</u>	<u>37,046</u>	<u>(34,106)</u>	<u>8,545</u>
Other financing sources (uses):						
Proceeds of long-term debt		-	-	-	-	-
Transfers in		-	-	-	82	-
Transfers out		-	-	(49,998)	(4,532)	-
Total other financing sources (uses)		<u>-</u>	<u>-</u>	<u>(49,998)</u>	<u>(4,450)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,290)</u>	<u>15,502</u>	<u>1,320</u>	<u>(12,952)</u>	<u>(38,556)</u>	<u>8,545</u>
Cash and investments - beginning	<u>2,290</u>	<u>-</u>	<u>-</u>	<u>12,952</u>	<u>38,556</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 15,502</u>	<u>\$ 1,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,545</u>
Cash and Investment Assets - Ending						
Cash and investments	\$	-	\$	15,502	\$	1,320
Restricted assets:						
Cash and investments		-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 15,502</u>	<u>\$ 1,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,545</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$	-	\$	-	\$	-
Unrestricted		<u>15,502</u>	<u>1,320</u>	<u>-</u>	<u>-</u>	<u>8,545</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 15,502</u>	<u>\$ 1,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,545</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Preschool Handicap PL 99-457	Drug Free Schools Title IV PL 107-110	Drug Free Schools Title IV PL 107-115	Medicaid Reimbursement Federal	Teaching America History	Federal Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	43,893	18,641	(370)	-	365,714	20,665
Temporary loans	-	-	-	-	-	-
Total receipts	43,893	18,641	(370)	-	365,714	20,665
Disbursements:						
Current:						
Instruction	41,855	-	23	-	4,609	-
Support services	-	17,418	4,556	12,341	361,105	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	20,665
Debt services	-	-	-	-	-	-
Total disbursements	41,855	17,418	4,579	12,341	365,714	20,665
Excess (deficiency) of receipts over disbursements	2,038	1,223	(4,949)	(12,341)	-	-
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	2,500	-	-	-	-
Transfers out	(2,038)	-	-	-	-	-
Total other financing sources (uses)	(2,038)	2,500	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,723	(4,949)	(12,341)	-	-
Cash and investments - beginning	-	-	4,834	18,444	-	-
Cash and investments - ending	\$ -	\$ 3,723	\$ (115)	\$ 6,103	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 3,723	\$ (115)	\$ 6,103	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 3,723	\$ (115)	\$ 6,103	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,723	(115)	6,103	-	-
Total cash and investment fund balance - ending	\$ -	\$ 3,723	\$ (115)	\$ 6,103	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Improving Teacher Quality	Enhancing Education Thru Technology	Debt Service	Pension Debt	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 1,516,427	\$ 855,259	\$ 281,322	\$ 6,740,079
State sources	-	-	-	-	-	616,568
Federal sources	217,444	-	-	-	-	3,705,163
Temporary loans	-	-	275,986	435,215	-	969,328
Total receipts	217,444	-	1,792,413	1,290,474	281,322	12,031,138
Disbursements:						
Current:						
Instruction	8,406	-	-	-	-	1,805,189
Support services	95,522	4,170	-	-	306,452	4,379,600
Noninstructional services	-	-	-	-	-	2,223,206
Facilities acquisition and construction	-	-	-	-	-	20,811
Debt services	-	-	1,734,564	902,645	-	2,867,452
Total disbursements	103,928	4,170	1,734,564	902,645	306,452	11,296,258
Excess (deficiency) of receipts over disbursements	113,516	(4,170)	57,849	387,829	(25,130)	734,880
Other financing sources (uses):						
Proceeds of long-term debt	-	-	1,451	-	-	1,451
Transfers in	-	-	-	-	-	190,942
Transfers out	(112,381)	-	-	-	-	(247,428)
Total other financing sources (uses)	(112,381)	-	1,451	-	-	(55,035)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,135	(4,170)	59,300	387,829	(25,130)	679,845
Cash and investments - beginning	1,844	4,170	39,721	47,270	631,565	1,585,211
Cash and investments - ending	\$ 2,979	\$ -	\$ 99,021	\$ 435,099	\$ 606,435	\$ 2,265,056
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,979	\$ -	\$ -	\$ -	\$ 606,435	\$ 1,730,936
Restricted assets:						
Cash and investments	-	-	99,021	435,099	-	534,120
Total cash and investment assets - ending	\$ 2,979	\$ -	\$ 99,021	\$ 435,099	\$ 606,435	\$ 2,265,056
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 99,021	\$ 435,099	\$ -	\$ 534,120
Unrestricted	2,979	-	-	-	606,435	1,730,936
Total cash and investment fund balance - ending	\$ 2,979	\$ -	\$ 99,021	\$ 435,099	\$ 606,435	\$ 2,265,056

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Preschool Special Education	Rainy Day Fund	School Lunch	Textbook Rental	Levy Excess	South Central Indiana School Supply
Receipts:							
Local sources	\$ 3,893,415	\$ 28,548	\$ -	\$ 1,238,032	\$ 317,297	\$ -	\$ 13,594
State sources	-	105,628	-	-	303,070	-	-
Federal sources	-	-	-	1,140,250	-	-	-
Temporary loans	304,808	-	-	-	-	-	-
Other	1,484	-	-	-	-	-	-
Total receipts	4,199,707	134,176	-	2,378,282	620,367	-	13,594
Disbursements:							
Current:							
Instruction	-	118,694	-	-	-	-	-
Support services	2,321,347	-	-	1,155	489,851	-	9,784
Noninstructional services	-	-	-	2,341,635	-	-	-
Debt services	257,909	-	-	-	-	-	-
Total disbursements	2,579,256	118,694	-	2,342,790	489,851	-	9,784
Excess (deficiency) of receipts over disbursements	1,620,451	15,482	-	35,492	130,516	-	3,810
Other financing sources (uses):							
Transfers in	22,592	-	500,000	-	97,281	544,340	-
Transfers out	(67,336)	(781)	-	-	-	-	-
Total other financing sources (uses)	(44,744)	(781)	500,000	-	97,281	544,340	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,575,707	14,701	500,000	35,492	227,797	544,340	3,810
Cash and investments - beginning	173,629	12,300	-	156,431	325,601	-	19,189
Cash and investments - ending	\$ 1,749,336	\$ 27,001	\$ 500,000	\$ 191,923	\$ 553,398	\$ 544,340	\$ 22,999
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,749,336	\$ 27,001	\$ 500,000	\$ 191,923	\$ 553,398	\$ 544,340	\$ 22,999
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,749,336	\$ 27,001	\$ 500,000	\$ 191,923	\$ 553,398	\$ 544,340	\$ 22,999
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,749,336	27,001	500,000	191,923	553,398	544,340	22,999
Total cash and investment fund balance - ending	\$ 1,749,336	\$ 27,001	\$ 500,000	\$ 191,923	\$ 553,398	\$ 544,340	\$ 22,999

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Alternative Education Grant	Early Intervention Grant	Gifted and Talented	Instructional Support Fund	Non-English Speaking Program	Technology Planning Grant	Project 4 R's
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	15,628	54,393	50,497	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	15,628	54,393	50,497	-	-	-	-
Disbursements:							
Current:							
Instruction	36,285	51,985	47,943	11,125	-	-	-
Support services	-	5,962	-	-	-	103,157	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	36,285	57,947	47,943	11,125	-	103,157	-
Excess (deficiency) of receipts over disbursements	(20,657)	(3,554)	2,554	(11,125)	-	(103,157)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,657)	(3,554)	2,554	(11,125)	-	(103,157)	-
Cash and investments - beginning	50,838	3,554	-	11,125	3,551	172,913	173
Cash and investments - ending	\$ 30,181	\$ -	\$ 2,554	\$ -	\$ 3,551	\$ 69,756	\$ 173
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 30,181	\$ -	\$ 2,554	\$ -	\$ 3,551	\$ 69,756	\$ 173
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 30,181	\$ -	\$ 2,554	\$ -	\$ 3,551	\$ 69,756	\$ 173
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	30,181	-	2,554	-	3,551	69,756	173
Total cash and investment fund balance - ending	\$ 30,181	\$ -	\$ 2,554	\$ -	\$ 3,551	\$ 69,756	\$ 173

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title I FY 2009	Title I FY 2008	Title V Project 06-5925	Title V Project 07-5925	Title V Project 08-5925	Stewart Homeless Assistance	Homeless Children 2007-2008
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	642,853	99,043	-	8,894	-	55,000	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	642,853	99,043	-	8,894	-	55,000	-
Disbursements:							
Current:							
Instruction	600,344	-	-	-	-	-	-
Support services	95,949	-	6,338	80,675	36,052	-	15,229
Noninstructional services	30,275	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	726,568	-	6,338	80,675	36,052	-	15,229
Excess (deficiency) of receipts over disbursements	(83,715)	99,043	(6,338)	(71,781)	(36,052)	55,000	(15,229)
Other financing sources (uses):							
Transfers in	103,287	-	-	-	100,439	-	-
Transfers out	-	(103,287)	-	-	-	-	-
Total other financing sources (uses)	103,287	(103,287)	-	-	100,439	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,572	(4,244)	(6,338)	(71,781)	64,387	55,000	(15,229)
Cash and investments - beginning	-	4,244	6,338	73,385	-	-	18,173
Cash and investments - ending	\$ 19,572	\$ -	\$ -	\$ 1,604	\$ 64,387	\$ 55,000	\$ 2,944
Cash and Investment Assets - Ending							
Cash and investments	\$ 19,572	\$ -	\$ -	\$ 1,604	\$ 64,387	\$ 55,000	\$ 2,944
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 19,572	\$ -	\$ -	\$ 1,604	\$ 64,387	\$ 55,000	\$ 2,944
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	19,572	-	-	1,604	64,387	55,000	2,944
Total cash and investment fund balance - ending	\$ 19,572	\$ -	\$ -	\$ 1,604	\$ 64,387	\$ 55,000	\$ 2,944

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Homeless Children 2008-2009	Serve America 2007-2008	Serve America 2008-2009	Grant Idea 101-476	Grant Idea PI 101-476	Grant Idea PL 101-476
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	20,000	317,000	850,237	3,000
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	20,000	317,000	850,237	3,000
Disbursements:						
Current:						
Instruction	-	-	-	160,391	476,933	715
Support services	45,771	14,781	7,971	97,446	366,337	10,376
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	45,771	14,781	7,971	257,837	843,270	11,091
Excess (deficiency) of receipts over disbursements	(45,771)	(14,781)	12,029	59,163	6,967	(8,091)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(60,483)	-	(454)
Total other financing sources (uses)	-	-	-	(60,483)	-	(454)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,771)	(14,781)	12,029	(1,320)	6,967	(8,545)
Cash and investments - beginning	55,000	15,502	-	1,320	-	8,545
Cash and investments - ending	<u>\$ 9,229</u>	<u>\$ 721</u>	<u>\$ 12,029</u>	<u>\$ -</u>	<u>\$ 6,967</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 9,229	\$ 721	\$ 12,029	\$ -	\$ 6,967	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 9,229	\$ 721	\$ 12,029	\$ -	\$ 6,967	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,229	721	12,029	-	6,967	-
Total cash and investment fund balance - ending	\$ 9,229	\$ 721	\$ 12,029	\$ -	\$ 6,967	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Grant Idea PL 105-17 Part B	Preschool Handicap PL-99-457	Drug Free School Title IV PL 107-110	Drug Free School Title IV PL 107-111	Drug Free School Title IV PL 107-110	Medical Reimbursement Federal
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	8,811	37,950	-	15,617	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	8,811	37,950	-	15,617	-	-
Disbursements:						
Current:						
Instruction	12,702	33,231	-	-	-	-
Support services	41,979	-	3,723	17,967	(115)	6,103
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	54,681	33,231	3,723	17,967	(115)	6,103
Excess (deficiency) of receipts over disbursements	(45,870)	4,719	(3,723)	(2,350)	115	(6,103)
Other financing sources (uses):						
Transfers in	52,438	-	-	2,500	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	52,438	-	-	2,500	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,568	4,719	(3,723)	150	115	(6,103)
Cash and investments - beginning	-	-	3,723	-	(115)	6,103
Cash and investments - ending	\$ 6,568	\$ 4,719	\$ -	\$ 150	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 6,568	\$ 4,719	\$ -	\$ 150	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 6,568	\$ 4,719	\$ -	\$ 150	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	6,568	4,719	-	150	-	-
Total cash and investment fund balance - ending	\$ 6,568	\$ 4,719	\$ -	\$ 150	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Teaching America History	Improving Teacher Quality	Debt Service	Pension Debt	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 2,506,422	\$ 1,395,966	\$ 943,535	\$ 10,336,809
State sources	-	-	-	-	-	529,216
Federal sources	340,559	211,174	-	-	-	3,750,388
Temporary loans	-	-	42,088	600	-	347,496
Other	-	-	-	-	-	1,484
Total receipts	340,559	211,174	2,548,510	1,396,566	943,535	14,965,393
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,550,348
Support services	323,051	110,941	-	-	365,161	4,576,991
Noninstructional services	-	-	-	-	-	2,371,910
Debt services	-	-	1,695,740	1,306,497	-	3,260,146
Total disbursements	323,051	110,941	1,695,740	1,306,497	365,161	11,759,395
Excess (deficiency) of receipts over disbursements	17,508	100,233	852,770	90,069	578,374	3,205,998
Other financing sources (uses):						
Transfers in	-	-	13,110	-	5,004	1,440,991
Transfers out	(17,508)	(102,939)	(143,800)	(25,508)	(17,396)	(539,492)
Total other financing sources (uses)	(17,508)	(102,939)	(130,690)	(25,508)	(12,392)	901,499
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,706)	722,080	64,561	565,982	4,107,497
Cash and investments - beginning	-	2,979	99,021	435,099	606,435	2,265,056
Cash and investments - ending	\$ -	\$ 273	\$ 821,101	\$ 499,660	\$ 1,172,417	\$ 6,372,553
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 273	\$ -	\$ -	\$ 1,172,417	\$ 5,051,792
Restricted assets:						
Cash and investments	-	-	821,101	499,660	-	1,320,761
Total cash and investment assets - ending	\$ -	\$ 273	\$ 821,101	\$ 499,660	\$ 1,172,417	\$ 6,372,553
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 821,101	\$ 499,660	\$ -	\$ 1,320,761
Unrestricted	-	273	-	-	1,172,417	5,051,792
Total cash and investment fund balance - ending	\$ -	\$ 273	\$ 821,101	\$ 499,660	\$ 1,172,417	\$ 6,372,553

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Donation - Morgan Co. Foundation	Stanley Lacy Program	Scholarships	Donation- Homeless	Arts Grant Smith
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ 24,785	\$ -	\$ 3,737
Investment earnings:					
Interest	-	-	6,886	-	-
Total additions	<u>-</u>	<u>-</u>	<u>31,671</u>	<u>-</u>	<u>3,737</u>
Deductions:					
Administrative and general	<u>-</u>	<u>95</u>	<u>30,225</u>	<u>74</u>	<u>3,600</u>
Excess (deficiency) of total additions over total deductions	-	(95)	1,446	(74)	137
Cash and investment fund balance - beginning	<u>17,716</u>	<u>2,447</u>	<u>210,421</u>	<u>424</u>	<u>-</u>
Cash and investments - June 30	<u>\$ 17,716</u>	<u>\$ 2,352</u>	<u>\$ 211,867</u>	<u>\$ 350</u>	<u>\$ 137</u>
Net assets:					
Cash and investments	<u>\$ 17,716</u>	<u>\$ 2,352</u>	<u>\$ 211,867</u>	<u>\$ 350</u>	<u>\$ 137</u>
Total net assets - cash and investment basis held in trust	<u>\$ 17,716</u>	<u>\$ 2,352</u>	<u>\$ 211,867</u>	<u>\$ 350</u>	<u>\$ 137</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Donation - St. Francis	Pass Program	Kendrick Grant	Totals
Additions:				
Contributions:				
Other	<u>\$ 600</u>	<u>\$ 16,200</u>	<u>\$ 15,000</u>	<u>\$ 60,322</u>
Investment earnings:				
Interest	-	-	-	6,886
Total additions	<u>600</u>	<u>16,200</u>	<u>15,000</u>	<u>67,208</u>
Deductions:				
Administrative and general	<u>1,403</u>	<u>16,200</u>	<u>814</u>	<u>52,411</u>
Excess (deficiency) of total additions over total deductions	(803)	-	14,186	14,797
Cash and investment fund balance - beginning	<u>2,000</u>	-	-	<u>233,008</u>
Cash and investments - June 30	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 14,186</u>	<u>\$ 247,805</u>
Net assets:				
Cash and investments	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 14,186</u>	<u>\$ 247,805</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 14,186</u>	<u>\$ 247,805</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Donation - Morgan Co. Foundation	Stanley Lacy Program	NREA Mini Grant	Parental Involvement	Scholarships	Donation - Homeless	Kendrick Arts Grant	Arts Grant Smith
Additions:								
Contributions:								
Other	\$ -	\$ -	\$ 500	\$ 225	\$ 25,163	\$ -	\$ 3,000	\$ -
Investment earnings:								
Interest	-	-	-	-	6,633	-	-	-
Total additions	<u>-</u>	<u>-</u>	<u>500</u>	<u>225</u>	<u>31,796</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Deductions:								
Administrative and general	<u>-</u>	<u>1,313</u>	<u>-</u>	<u>225</u>	<u>39,625</u>	<u>181</u>	<u>3,000</u>	<u>137</u>
Excess (deficiency) of total additions over total deductions	-	(1,313)	500	-	(7,829)	(181)	-	(137)
Cash and investment fund balance - beginning	<u>17,716</u>	<u>2,352</u>	<u>-</u>	<u>-</u>	<u>211,867</u>	<u>350</u>	<u>-</u>	<u>137</u>
Cash and investments - June 30	<u>\$ 17,716</u>	<u>\$ 1,039</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 204,038</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:								
Cash and investments	<u>\$ 17,716</u>	<u>\$ 1,039</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 204,038</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ 17,716</u>	<u>\$ 1,039</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 204,038</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Kendrick Grant	Donation - St. Francis	Creating Healthy Habits	Pass Program	Kendrick Grant 2008	Knights of Columbus	Totals
Additions:							
Contributions:							
Other	\$ 16,180	\$ 600	\$ 5,700	\$ 22,400	\$ 9,000	\$ 2,127	\$ 84,895
Investment earnings:							
Interest	-	-	-	-	-	-	6,633
Total additions	<u>16,180</u>	<u>600</u>	<u>5,700</u>	<u>22,400</u>	<u>9,000</u>	<u>2,127</u>	<u>91,528</u>
Deductions:							
Administrative and general	<u>16,180</u>	<u>1,197</u>	<u>5,700</u>	<u>22,400</u>	<u>22,910</u>	<u>1,785</u>	<u>114,653</u>
Excess (deficiency) of total additions over total deductions	-	(597)	-	-	(13,910)	342	(23,125)
Cash and investment fund balance - beginning	<u>-</u>	<u>1,197</u>	<u>-</u>	<u>-</u>	<u>14,186</u>	<u>-</u>	<u>247,805</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 342</u>	<u>\$ 224,680</u>
Net assets:							
Cash and investments	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 342</u>	<u>\$ 224,680</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 342</u>	<u>\$ 224,680</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 36,085,734
Improvements other than buildings	4,574,900
Machinery and equipment	<u>5,000,089</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 45,660,723</u></u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
High School and South Elementary School	\$ 1,490,000	\$ 626,000
High School	4,990,000	387,003
Computers	496,141	257,518
Bonds payable:		
General obligation bonds:		
Finance retirement/severance liabilities	<u>5,685,000</u>	<u>872,185</u>
Total governmental activities debt	<u>\$ 12,661,141</u>	<u>\$ 2,142,706</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not include land on Form 369.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONTRACTS

Records presented for audit indicate payments were made with federal grant funds to the Indiana Historical Society for \$8,004 in 2007 and \$14,528 in 2008 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DISBURSEMENT DOCUMENTATION

A reimbursement for expenses was observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

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

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2008.

The enrollment count dates for 2007-2008 was September 14, 2007. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2007-2008	1 Through 12	5,215	5,216	-1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the Metropolitan School District of Martinsville (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-1, 2009-2, 2009-3 and 2009-4.

Internal Control Over Compliance

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

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

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2009-1, 2009-2, 2009-3 and 2009-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

January 21, 2010

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 186,460	\$ 223,295
National School Lunch Program	10.555		890,666	1,037,990
Total for cluster			<u>1,077,126</u>	<u>1,261,285</u>
Fresh Fruit and Vegetable Program	10.582		18,328	16,162
Total for federal grantor agency			<u>1,095,454</u>	<u>1,277,447</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education-Grants to States	84.027			
14206-039-PY02			79,705	-
14207-039-PN01			312,532	-
14207-039-PN02			10,306	11,545
14208-039-PN01			808,436	318,320
14208-039-PN02			-	59,547
14209-039-PN01			-	843,270
Total for program			<u>1,210,979</u>	<u>1,232,682</u>
Special Education-Preschool Grants	84.173			
45708-039-PN01			43,893	-
45709-039-PN01			-	33,231
Total for program			<u>43,893</u>	<u>33,231</u>
Total for cluster			<u>1,254,872</u>	<u>1,265,913</u>
Direct Grant				
Fund for the Improvement of Education	84.215			
U215X060296			365,714	340,559
Pass-Through Indiana Department of Education				
Title I Grants to Local Education Agencies	84.010			
07-5925			-	-
08-5925			40,704	-
09-5925			765,288	-
Total for program			<u>-</u>	<u>726,568</u>
Total for program			<u>805,992</u>	<u>726,568</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
5925-06			4,464	-
5925-07			17,418	3,723
5925-08			-	17,967
Total for program			<u>21,882</u>	<u>21,690</u>

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 30,2008 and 2009
(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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Education for Homeless Children and Youth	84.196			
FY 06-07			12,727	-
FY 06-07 Transportation			7,520	-
FY 07-08			48,827	6,173
FY 08-09			-	45,771
Total for program			<u>69,074</u>	<u>51,944</u>
State Grants for Innovative Programs	84.298			
05-120			18,300	-
06-5925			60,643	6,338
07-5925			36,496	80,675
08-5925			-	36,052
Total for program			<u>115,439</u>	<u>123,065</u>
Education Technology State Grants	84.318			
FY 06-07			4,170	-
Improving Teacher Quality State Grants	84.367			
05-5925			216,308	-
06-5925			-	213,880
Total for program			<u>216,308</u>	<u>213,880</u>
Total for federal grantor agency			<u>2,853,451</u>	<u>2,743,619</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Family and Social Services Administration				
Promoting Safe and Stable Families	93.556			
FY 07/08			12,341	-
FY 08/09			-	6,104
Total for program			<u>12,341</u>	<u>6,104</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America -School and Community Based Programs	94.004			
FY 07			2,290	-
FY 08			4,498	14,781
FY 09			-	7,971
Total for program			<u>6,788</u>	<u>22,752</u>
Total federal awards expended			<u>\$ 3,968,034</u>	<u>\$ 4,049,922</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Metropolitan School District of Martinsville (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2008 and 2009:

Program Title	Federal CFDA Number	2008	2009
Fund for the Improvement of Education	84.215	\$ 289,888	\$ 232,211

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
Child Nutrition Cluster	10.555	\$ 101,934	\$ 149,105

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Special Education Cluster
84.215	Title I Grants to Local Educational Agencies
84.367	Fund for the Improvement of Education Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings

FINDING 2009-1, CASH MANAGEMENT

Federal Agency: U. S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Special Education Cluster
and Improving Teacher Quality State Grants
CFDA Numbers: 84.010, 84.027 and 84.367
Pass-Through Entity: Indiana Department of Education

The Metropolitan School District of Martinsville has not implemented internal controls to minimize the time elapsing between the transfer of funds and their disbursement. The actual funds on hand exceeded 10% of the months' expenditures in 8 of 24 months for Title I, 3 of 13 months for Special Education and 7 of 24 months for Improving Teacher Quality. Negative cash balances also existed in 8 of 24 months for Title I, 4 of 13 months for Special Education and 6 of 24 months for Improving Teacher Quality.

EDGAR 80.20(b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U. S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

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

FINDING 2009-2, SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Award: U215X060296

School Corporation Officials did not identify Indiana University or the Indiana Historical Society as subrecipients of grant funds, and therefore, did not monitor the activities of Indiana University (Indiana University Purdue University Indianapolis) or the Indiana Historical Society to provide reasonable assurance that officials have administered the grant in accordance with federal requirements.

The contract with IU contained a provision to provide the School Corporation with a statement of disbursements by budget category and a report for any unexpended funds certified by the Chief Financial Officer. No reports were requested or reviewed by the School Corporation.

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

No contract could be found for the Indiana Historical Society.

The federal Office of Management and Budget's Circular A-133 "Audits of States, Local Governments, and Non-profit Organizations", Subpart D, Section 400(d) states in part:

"A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year . . . and name of Federal agency.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations and the provisions of contract or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records . . ."

Without proper monitoring, School Corporation Officials cannot ensure subrecipients are complying with federal requirements and are using funds appropriately which could jeopardize future federal funding to the School Corporation.

We recommended that School Corporation Officials obtain a contract with The Indiana Historical Society and review their contract with Indiana University to ensure that the terms and conditions are consistent with federal requirements concerning subrecipient monitoring. We also recommended School Corporation Officials establish adequate policies and procedures to conform with these requirements.

FINDING 2009-3, ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Award: U215X060296

A contract in the amount of \$187,863 for the period from August 1, 2006 to July 31, 2007, with Indiana University was signed on March 15, 2007, by the Assistant Superintendent of Instruction with Metropolitan School District of Martinsville and on March 2, 2007, by the Interim Vice Chancellor for Research with Indiana University. An amended contract in the amount of \$619,712 for the period from

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

August 1, 2006 to July 31, 2009, with Indiana University was signed on October 30, 2007, by the Assistant Superintendent of Instruction with Metropolitan School District of Martinsville and on October 1, 2007, by the Interim Vice Chancellor for Research with Indiana University. There was no evidence that the Board of School Trustees had approved these contracts.

No contract was found with the Indiana Historical Society for \$37,267.

EDGAR 80.20(b)(6) states:

"Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Failure to follow federal regulations could jeopardize future federal grant awards.

We recommended that School Corporation Officials develop internal controls to ensure that contracts exist and are approved and signed by the Board of School Trustees.

FINDING 2009-4. ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Award: U215X060296

A check in the amount of \$2,809.90 was written for reimbursement of expenses for airline tickets \$1,838, and historical site activities \$971.90. No documentation was provided for payment of the historical site activities for \$971.90.

EDGAR 80.20(b)(6) state:

"Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Failure to follow federal regulations could jeopardize future federal grant awards.

We recommended School Corporation Officials develop internal controls to ensure that costs charged to federal grants are properly documented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2007-1

Original SBA Audit Report Number: B32059

Fiscal Year 2005-2007

Auditee Contact Person Sandra Hart

Title of Contact Person Treasurer

Phone Number 765-342-6641

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

Sandra Hart

11/6/2010

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

Mary Lou Thomas, President
Charles Sampson, Vice President
Stephen Hardin, Secretary
Kenny Costin, Member
Chuck Smith, Member

Superintendent

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

CORRECTIVE ACTION PLAN

FINDING NO. 2009-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education

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

CFDA Numbers: 84.010, 84.027 and 84.367

Pass-Through Entity: Indiana Department of Education

Corrective Action: Cash requests for all grants are due to the State a month in advance of the expenditure of funds. Cash balances are monitored monthly and next month expenditures are estimated as accurately as possible. On occasion we do not receive the monthly distribution requested or the requested monthly changes to our regular distributions are not made by the State agency, resulting in deficit or surplus funds. It should also be noted that in regard to Title I distributions, these funds may be spent through September 30th; however, we are required to request all funds by July 30th.


Sandra K. Hart, Treasurer

11/26/10
Date

Good Schools Becoming
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Randy Taylor
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Jerry Sanders
Treasurer
Sandra Hart

CORRECTIVE ACTION PLAN

FINDING NO. 2009-2, SUB RECIPIENT MONITORING

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Award: U215X060296

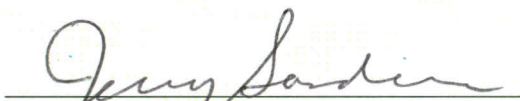
Corrective Action: The M.S.D. of Martinsville occasionally receives grant awards that are administered by Central Office Administration. Jerry Sanders, Assistant Superintendent, has been charged with the responsibility of monitoring such grant funds and expenditures. When there are other entities that are sub recipients of these grant funds, it will be his responsibility to monitor their activities to ensure that they have administered the grant in accordance with federal requirements. This will be accomplished by requesting a monthly expenditure report from the contracted agency, and reviewing the report to assure that funds are being spent according to the sub recipients' contracts.



Sandra K. Hart, Treasurer

1/29/10

Date



Jerry Sanders, Assistant Superintendent

1-29-10

Date

**Good Schools Becoming
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Martinsville, Indiana 46151
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CORRECTIVE ACTION PLAN

FINDING NO. 2009-3, ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Numbers: 84.215
Award: U215X060296

Corrective Action: The M.S.D. of Martinsville will request approval of the Board of School Trustees before entering into a contract with any outside agency.

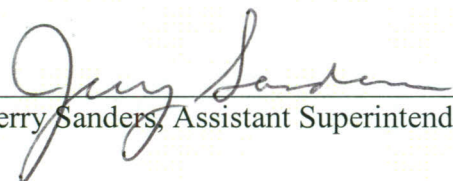
In addition, Jerry Sanders, Assistant Superintendent, will accept the responsibility of obtaining Board approval of such contracts when grant funds are involved. As a result of this audit, Mr. Sanders will immediately obtain a contract with the Indiana Historical Society for approval by the Board of School Trustees at their next regularly scheduled meeting on February 18, 2010.



Sandra K. Hart, Treasurer

1/29/10

Date



Jerry Sanders, Assistant Superintendent

1-29-10

Date

**Good Schools Becoming
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CORRECTIVE ACTION PLAN

FINDING NO. 2009-4, ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Numbers: 84.215
Award: U215X060296

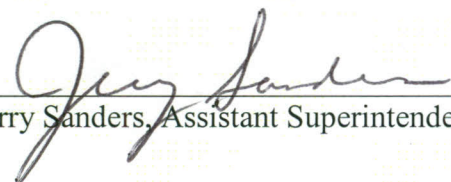
Corrective Action: Reimbursement of expenses from federal grant awards will not be made without proper documentation.



Sandra K. Hart, Treasurer

1/29/10

Date



Jerry Sanders, Assistant Superintendent

1-29-10

Date

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METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2010, with Ronald Furniss, Superintendent of Schools, Randy L. Taylor, Assistant Superintendent of Schools; and Sandra K. Hart, Treasurer. The officials concurred with our audit findings.