

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP
MARION COUNTY, INDIANA

July 1, 2012 to June 30, 2013



FILED
05/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Business Officer/ Treasurer	Joseph Licata	07-01-12 to 06-30-14
Superintendent of Schools	Dr. Nikki Woodson	07-01-12 to 06-30-14
President of the School Board	Donald Kite William Turner	07-01-12 to 06-30-13 07-01-13 to 06-30-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP, MARION COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the year ended June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the year ended June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information


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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Other Information

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.


Paul D. Joyce, CPA
State Examiner

March 21, 2014



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP, MARION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Washington Township (School Corporation), which comprises the financial position and results of operations for the year ended June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 21, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Metropolitan School District of Washington Township's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 21, 2014

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FINANCIAL STATEMENT

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2013

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 7,930,106	\$ 70,554,160	\$ 67,130,337	\$ 1,000	\$ 11,354,929
Referendum Tax Levy	7,831,291	4,239,946	5,893,408	-	6,177,829
Debt Service	5,313,664	5,721,067	7,389,936	-	3,644,795
Retirement/Severance Bond Debt Service	794,662	1,356,815	1,459,250	-	692,227
Capital Projects	6,174,990	9,281,646	11,028,582	(1,680,000)	2,748,054
School Transportation	4,301,204	7,102,825	8,137,007	-	3,267,022
School Bus Replacement	120,720	1,286,945	63,061	(525,000)	819,604
Rainy Day	3,109,737	(13,634)	1,282,508	2,205,000	4,018,595
2012 GO Bond	2,000,000	-	1,379,251	2,000,000	2,620,749
2011 GO Bond	1,990,571	-	659,769	-	1,330,802
2010 GO Bond	1,240,240	-	899,918	-	340,322
2008 GO Bond	190,659	-	190,659	-	-
School Lunch	3,673,808	5,890,448	5,524,556	-	4,039,700
Textbook Rental	(22,951)	1,059,140	779,334	(30,990)	225,865
Self-Insurance	2,716,958	10,736,287	7,649,582	-	5,803,663
Joint Services and Supply - Area Vocational School	525,436	3,508,769	4,006,572	-	27,633
Judgments	2,316	-	624	-	1,692
Alternative Education	18,396	29,979	-	-	48,375
Early Intervention Grant	5,885	52,943	45,139	-	13,689
Local/Foundation Grants	433,771	507,267	564,196	-	376,842
Local Grants #1	99,719	249,421	188,489	-	160,651
Local Grants #2	-	52,787	30,249	-	22,538
Adult Education	(918,566)	227,157	435,652	-	(1,127,061)
LPN Program	(482,529)	237,705	556,938	-	(801,762)
THNI Take One	300	-	-	-	300
Oasis Tutoring Program	419	200	695	-	(76)
Willoughby-Epperly	1,777	-	204	-	1,573
Law Enforcement	279	-	-	-	279
Autism	756	-	-	-	756
Adult and Continuing Education	240	-	-	-	240
Adopt A Student	828	-	-	-	828
Learning Under The Sun	35,206	30,636	41,399	-	24,443
Summer In The City	7,852	8,000	10,811	-	5,041
Cultural Arts	1,290	-	-	-	1,290
ECA Smartdata - GB	685	17,971	15,433	-	3,223
Welfare Activities	80,360	-	-	-	80,360
Paul Griesel Memorial Scholarship	5,036	-	-	-	5,036
AP/IB Testing	17,088	10,000	-	-	27,088
Washington Township Foundation	(16,282)	109,102	109,219	-	(16,399)
Gifted and Talented	-	78,450	67,333	-	11,117

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

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

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Education Technology	-	1,168,752	1,344,372	-	(175,620)
Adult and Continuing Education	(80,858)	863,081	1,029,853	-	(247,630)
Medicaid Reimbursement	-	384,032	-	-	384,032
Bookstore	34,087	-	27,285	26,391	33,193
Tennis Fund	184,369	247,752	235,055	-	197,066
Tennis Maintenance	14,955	5,364	17,555	-	2,764
Non-English Speaking Programs P.L. 273-1999	2,534	150,827	146,079	-	7,282
School Technology	277,602	147,520	36,592	-	388,530
Education Fees	169,360	324,804	327,843	30,990	197,311
Title I District School	(2,810)	43,073	40,263	-	-
Title I	(476,794)	3,807,909	3,537,677	-	(206,562)
Title II-B	-	-	11,764	-	(11,764)
Title II, Part B Math and Science 4510	(14,149)	161,319	189,912	-	(42,742)
Title II, Part B Math and Science 4511	(1,350)	128,803	169,186	-	(41,733)
IDEA	(225,677)	2,887,676	2,843,636	-	(181,637)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	70,000	70,000	-	-
Federal Assistance Educational Preschool Handicapped	(8,467)	91,109	87,972	-	(5,330)
Adult Education and Family Literacy, Title II	(73,300)	38,510	2,014	-	(36,804)
CTE Micro Grant	(5,400)	5,400	-	-	-
Career Pathway Mic	(5,707)	5,707	-	-	-
RVR (IPIC) FY 10-11	(34,134)	124,470	114,559	-	(24,223)
Vocational and Technical Board Grants	(69,725)	940,209	1,078,819	-	(208,335)
Pathway Tech Prep 6250	-	23,361	23,361	-	-
Refugee Children	(2,451)	35,284	34,187	-	(1,354)
Title X, Part C McKinney Vento	(8,065)	68,881	79,816	-	(19,000)
Other Federal Programs	3,961	-	927	-	3,034
21st Century Cohort V	(15,836)	379,664	421,984	-	(58,156)
21st Century Cohort IV	(75,427)	270,698	199,578	-	(4,307)
LTEC Workshop	-	-	8,214	-	(8,214)
Rural Schools Achievement	(55,807)	364,865	345,427	-	(36,369)
Rural Schools and Low Income Program - Pass Through State	(9,868)	184,370	190,262	-	(15,760)
Title III, Influx	-	46,924	48,364	-	(1,440)
Education Jobs	(116,850)	441,602	324,752	-	-
Insurance Reserve	-	2,059,963	240,915	-	1,819,048
Student Financial Aid	2	541,682	536,177	-	5,507
Payroll Clearing	1,747,045	32,266,878	33,506,245	-	507,678
Totals	<u>\$ 48,337,161</u>	<u>\$ 170,616,521</u>	<u>\$ 172,810,756</u>	<u>\$ 2,027,391</u>	<u>\$ 48,170,317</u>

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Other Financing Sources and Uses

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding receipts and timing issues related to reimbursable grant funds that are required to pay expenses prior to requesting reimbursement.

Note 8. Holding Corporation

The School Corporation has entered into a capital lease with North Central Campus 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 fiscal year 2012-2013 totaled \$3,932,500.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses the following benefits: health, dental, and vision insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

Note 10. Subsequent Events

On November 22, 2013, the School Corporation issued \$2,000,000 of General Obligation Bonds 2013 for the purchase of equipment and technology, and the renovation, repair, and maintenance of equipment and facilities.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General	Referendum Tax Levy	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ 7,930,106	\$ 7,831,291	\$ 5,313,664	\$ 794,662	\$ 6,174,990	\$ 4,301,204	\$ 120,720
Receipts:							
Local sources	818,320	4,239,946	5,721,067	1,356,815	8,407,374	7,100,918	1,286,945
Intermediate sources	-	-	-	-	-	-	-
State sources	69,735,840	-	-	-	874,272	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,907	-
Total receipts	<u>70,554,160</u>	<u>4,239,946</u>	<u>5,721,067</u>	<u>1,356,815</u>	<u>9,281,646</u>	<u>7,102,825</u>	<u>1,286,945</u>
Disbursements:							
Current:							
Instruction	49,103,450	3,976,075	-	-	7,020	-	-
Support services	17,468,323	1,917,333	-	-	4,034,625	7,283,491	63,061
Noninstructional services	558,564	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	3,361,688	-	-
Debt services	-	-	7,389,936	1,459,250	3,625,249	853,516	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>67,130,337</u>	<u>5,893,408</u>	<u>7,389,936</u>	<u>1,459,250</u>	<u>11,028,582</u>	<u>8,137,007</u>	<u>63,061</u>
Excess (deficiency) of receipts over disbursements	<u>3,423,823</u>	<u>(1,653,462)</u>	<u>(1,668,869)</u>	<u>(102,435)</u>	<u>(1,746,936)</u>	<u>(1,034,182)</u>	<u>1,223,884</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	1,000	-	-	-	-	-	-
Transfers in	-	-	-	-	2,038,561	-	-
Transfers out	-	-	-	-	(3,718,561)	-	(525,000)
Total other financing sources (uses)	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,680,000)</u>	<u>-</u>	<u>(525,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,424,823</u>	<u>(1,653,462)</u>	<u>(1,668,869)</u>	<u>(102,435)</u>	<u>(3,426,936)</u>	<u>(1,034,182)</u>	<u>698,884</u>
Cash and investments - ending	<u>\$ 11,354,929</u>	<u>\$ 6,177,829</u>	<u>\$ 3,644,795</u>	<u>\$ 692,227</u>	<u>\$ 2,748,054</u>	<u>\$ 3,267,022</u>	<u>\$ 819,604</u>

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

	Rainy Day	2012 GO Bond	2011 GO Bond	2010 GO Bond	2008 GO Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 3,109,737	\$ 2,000,000	\$ 1,990,571	\$ 1,240,240	\$ 190,659	\$ 3,673,808	\$ (22,951)
Receipts:							
Local sources	(13,634)	-	-	-	-	1,749,086	582,301
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	26,538	476,839
Federal sources	-	-	-	-	-	4,114,824	-
Other	-	-	-	-	-	-	-
Total receipts	<u>(13,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,890,448</u>	<u>1,059,140</u>
Disbursements:							
Current:							
Instruction	383,049	-	-	-	-	-	5,024
Support services	898,259	103,671	-	4,167	-	177,165	774,310
Noninstructional services	-	-	-	-	-	5,107,210	-
Facilities acquisition and construction	1,200	1,256,822	659,769	895,751	190,659	240,181	-
Debt services	-	18,758	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>1,282,508</u>	<u>1,379,251</u>	<u>659,769</u>	<u>899,918</u>	<u>190,659</u>	<u>5,524,556</u>	<u>779,334</u>
Excess (deficiency) of receipts over disbursements	<u>(1,296,142)</u>	<u>(1,379,251)</u>	<u>(659,769)</u>	<u>(899,918)</u>	<u>(190,659)</u>	<u>365,892</u>	<u>279,806</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	2,000,000	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	2,205,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(30,990)
Total other financing sources (uses)	<u>2,205,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,990)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>908,858</u>	<u>620,749</u>	<u>(659,769)</u>	<u>(899,918)</u>	<u>(190,659)</u>	<u>365,892</u>	<u>248,816</u>
Cash and investments - ending	<u>\$ 4,018,595</u>	<u>\$ 2,620,749</u>	<u>\$ 1,330,802</u>	<u>\$ 340,322</u>	<u>\$ -</u>	<u>\$ 4,039,700</u>	<u>\$ 225,865</u>

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

	Self- Insurance	Joint Services and Supply - Area Vocational School	Judgments	Alternative Education	Early Intervention Grant	Local/ Foundation Grants	Local Grants #1
Cash and investments - beginning	\$ 2,716,958	\$ 525,436	\$ 2,316	\$ 18,396	\$ 5,885	\$ 433,771	\$ 99,719
Receipts:							
Local sources	10,736,287	3,508,769	-	-	-	507,267	249,421
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	29,979	52,943	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>10,736,287</u>	<u>3,508,769</u>	<u>-</u>	<u>29,979</u>	<u>52,943</u>	<u>507,267</u>	<u>249,421</u>
Disbursements:							
Current:							
Instruction	-	2,632,324	-	-	44,434	87,976	157,011
Support services	-	1,367,433	624	-	705	469,183	22,795
Noninstructional services	-	-	-	-	-	7,037	-
Facilities acquisition and construction	-	6,815	-	-	-	-	8,683
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	7,649,582	-	-	-	-	-	-
Total disbursements	<u>7,649,582</u>	<u>4,006,572</u>	<u>624</u>	<u>-</u>	<u>45,139</u>	<u>564,196</u>	<u>188,489</u>
Excess (deficiency) of receipts over disbursements	<u>3,086,705</u>	<u>(497,803)</u>	<u>(624)</u>	<u>29,979</u>	<u>7,804</u>	<u>(56,929)</u>	<u>60,932</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,086,705</u>	<u>(497,803)</u>	<u>(624)</u>	<u>29,979</u>	<u>7,804</u>	<u>(56,929)</u>	<u>60,932</u>
Cash and investments - ending	<u>\$ 5,803,663</u>	<u>\$ 27,633</u>	<u>\$ 1,692</u>	<u>\$ 48,375</u>	<u>\$ 13,689</u>	<u>\$ 376,842</u>	<u>\$ 160,651</u>

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

	Local Grants #2	Adult Education	LPN Program	THNI Take One	Oasis Tutoring Program	Willoughby- Epperly	Law Enforcement
Cash and investments - beginning	\$ -	\$ (918,566)	\$ (482,529)	\$ 300	\$ 419	\$ 1,777	\$ 279
Receipts:							
Local sources	52,787	227,157	237,705	-	200	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>52,787</u>	<u>227,157</u>	<u>237,705</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	17,649	352,489	556,484	-	-	204	-
Support services	8,491	83,163	454	-	-	-	-
Noninstructional services	-	-	-	-	695	-	-
Facilities acquisition and construction	4,109	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>30,249</u>	<u>435,652</u>	<u>556,938</u>	<u>-</u>	<u>695</u>	<u>204</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>22,538</u>	<u>(208,495)</u>	<u>(319,233)</u>	<u>-</u>	<u>(495)</u>	<u>(204)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>22,538</u>	<u>(208,495)</u>	<u>(319,233)</u>	<u>-</u>	<u>(495)</u>	<u>(204)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 22,538</u>	<u>\$ (1,127,061)</u>	<u>\$ (801,762)</u>	<u>\$ 300</u>	<u>\$ (76)</u>	<u>\$ 1,573</u>	<u>\$ 279</u>

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

	Autism	Adult and Continuing Education	Adopt A Student	Learning Under The Sun	Summer In The City	Cultural Arts	ECA Smartdata - GB
Cash and investments - beginning	\$ 756	\$ 240	\$ 828	\$ 35,206	\$ 7,852	\$ 1,290	\$ 685
Receipts:							
Local sources	-	-	-	30,636	8,000	-	17,971
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	30,636	8,000	-	17,971
Disbursements:							
Current:							
Instruction	-	-	-	40,733	10,811	-	15,433
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	666	-	-	-
Total disbursements	-	-	-	41,399	10,811	-	15,433
Excess (deficiency) of receipts over disbursements	-	-	-	(10,763)	(2,811)	-	2,538
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(10,763)	(2,811)	-	2,538
Cash and investments - ending	\$ 756	\$ 240	\$ 828	\$ 24,443	\$ 5,041	\$ 1,290	\$ 3,223

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

	Welfare Activities	Paul Griesel Memorial Scholarship	AP/IB Testing	Washington Township Foundation	Gifted and Talented	Education Technology	Adult and Continuing Education
Cash and investments - beginning	\$ 80,360	\$ 5,036	\$ 17,088	\$ (16,282)	\$ -	\$ -	\$ (80,858)
Receipts:							
Local sources	-	-	10,000	109,102	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	78,450	1,168,752	863,081
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	10,000	109,102	78,450	1,168,752	863,081
Disbursements:							
Current:							
Instruction	-	-	-	-	13,120	-	741,619
Support services	-	-	-	109,219	54,213	-	165,391
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	1,344,372	122,843
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	109,219	67,333	1,344,372	1,029,853
Excess (deficiency) of receipts over disbursements	-	-	10,000	(117)	11,117	(175,620)	(166,772)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	10,000	(117)	11,117	(175,620)	(166,772)
Cash and investments - ending	\$ 80,360	\$ 5,036	\$ 27,088	\$ (16,399)	\$ 11,117	\$ (175,620)	\$ (247,630)

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

	Medicaid Reimbursement	Bookstore	Tennis Fund	Tennis Maintenance	Non-English Speaking Programs P.L. 273-1999	School Technology	Education Fees
Cash and investments - beginning	\$ -	\$ 34,087	\$ 184,369	\$ 14,955	\$ 2,534	\$ 277,602	\$ 169,360
Receipts:							
Local sources	-	-	247,752	5,364	-	144,139	324,804
Intermediate sources	-	-	-	-	-	-	-
State sources	384,032	-	-	-	150,827	3,381	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>384,032</u>	<u>-</u>	<u>247,752</u>	<u>5,364</u>	<u>150,827</u>	<u>147,520</u>	<u>324,804</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	146,079	29,613	327,843
Support services	-	27,285	2,957	-	-	-	-
Noninstructional services	-	-	232,098	5,535	-	-	-
Facilities acquisition and construction	-	-	-	12,020	-	6,979	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>27,285</u>	<u>235,055</u>	<u>17,555</u>	<u>146,079</u>	<u>36,592</u>	<u>327,843</u>
Excess (deficiency) of receipts over disbursements	<u>384,032</u>	<u>(27,285)</u>	<u>12,697</u>	<u>(12,191)</u>	<u>4,748</u>	<u>110,928</u>	<u>(3,039)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	26,391	-	-	-	-	-
Transfers in	-	-	-	-	-	-	30,990
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>26,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,990</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>384,032</u>	<u>(894)</u>	<u>12,697</u>	<u>(12,191)</u>	<u>4,748</u>	<u>110,928</u>	<u>27,951</u>
Cash and investments - ending	<u>\$ 384,032</u>	<u>\$ 33,193</u>	<u>\$ 197,066</u>	<u>\$ 2,764</u>	<u>\$ 7,282</u>	<u>\$ 388,530</u>	<u>\$ 197,311</u>

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

	Title I District School	Title I	Title II-B	Title II, Part B Math and Science 4510	Title II, Part B Math and Science 4511	IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ (2,810)	\$ (476,794)	\$ -	\$ (14,149)	\$ (1,350)	\$ (225,677)	\$ -
Receipts:							
Local sources	-	22,951	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	43,073	3,784,958	-	161,319	128,803	2,887,676	70,000
Other	-	-	-	-	-	-	-
Total receipts	43,073	3,807,909	-	161,319	128,803	2,887,676	70,000
Disbursements:							
Current:							
Instruction	28,212	1,250,375	-	120,661	97,786	2,191,277	70,000
Support services	11,756	2,242,263	11,764	67,759	70,750	624,770	-
Noninstructional services	-	45,039	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	19,839	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	295	-	-	1,492	650	7,750	-
Total disbursements	40,263	3,537,677	11,764	189,912	169,186	2,843,636	70,000
Excess (deficiency) of receipts over disbursements	2,810	270,232	(11,764)	(28,593)	(40,383)	44,040	-
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	6,318	-	-	-	-	-
Transfers out	-	(6,318)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,810	270,232	(11,764)	(28,593)	(40,383)	44,040	-
Cash and investments - ending	\$ -	\$ (206,562)	\$ (11,764)	\$ (42,742)	\$ (41,733)	\$ (181,637)	\$ -

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

	Federal Assistance Educational Preschool Handicapped	Adult Education and Family Literacy, Title II	CTE Micro Grant	Career Pathway Mic	RVR (IPIC) FY 10-11	Vocational and Technical Board Grants	Pathway Tech Prep 6250
Cash and investments - beginning	\$ (8,467)	\$ (73,300)	\$ (5,400)	\$ (5,707)	\$ (34,134)	\$ (69,725)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	124,470	-	-
State sources	-	-	-	-	-	-	-
Federal sources	91,109	38,510	5,400	5,707	-	940,209	23,361
Other	-	-	-	-	-	-	-
Total receipts	<u>91,109</u>	<u>38,510</u>	<u>5,400</u>	<u>5,707</u>	<u>124,470</u>	<u>940,209</u>	<u>23,361</u>
Disbursements:							
Current:							
Instruction	87,972	483	-	-	111,056	1,013,180	22,967
Support services	-	1,531	-	-	-	65,639	394
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	3,503	-	-
Total disbursements	<u>87,972</u>	<u>2,014</u>	<u>-</u>	<u>-</u>	<u>114,559</u>	<u>1,078,819</u>	<u>23,361</u>
Excess (deficiency) of receipts over disbursements	<u>3,137</u>	<u>36,496</u>	<u>5,400</u>	<u>5,707</u>	<u>9,911</u>	<u>(138,610)</u>	<u>-</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,137</u>	<u>36,496</u>	<u>5,400</u>	<u>5,707</u>	<u>9,911</u>	<u>(138,610)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (5,330)</u>	<u>\$ (36,804)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,223)</u>	<u>\$ (208,335)</u>	<u>\$ -</u>

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

	Refugee Children	Title X, Part C McKinney Vento	Other Federal Programs	21st Century Cohort V	21st Century Cohort IV	LTEC Workshop	Rural Schools Achievement
Cash and investments - beginning	\$ (2,451)	\$ (8,065)	\$ 3,961	\$ (15,836)	\$ (75,427)	\$ -	\$ (55,807)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	35,284	68,881	-	379,664	270,698	-	364,865
Other	-	-	-	-	-	-	-
Total receipts	<u>35,284</u>	<u>68,881</u>	<u>-</u>	<u>379,664</u>	<u>270,698</u>	<u>-</u>	<u>364,865</u>
Disbursements:							
Current:							
Instruction	25,549	7,251	-	409,734	193,135	-	249,978
Support services	8,317	72,565	927	-	-	8,214	91,836
Noninstructional services	321	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	12,250	6,443	-	3,613
Total disbursements	<u>34,187</u>	<u>79,816</u>	<u>927</u>	<u>421,984</u>	<u>199,578</u>	<u>8,214</u>	<u>345,427</u>
Excess (deficiency) of receipts over disbursements	<u>1,097</u>	<u>(10,935)</u>	<u>(927)</u>	<u>(42,320)</u>	<u>71,120</u>	<u>(8,214)</u>	<u>19,438</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,097</u>	<u>(10,935)</u>	<u>(927)</u>	<u>(42,320)</u>	<u>71,120</u>	<u>(8,214)</u>	<u>19,438</u>
Cash and investments - ending	<u>\$ (1,354)</u>	<u>\$ (19,000)</u>	<u>\$ 3,034</u>	<u>\$ (58,156)</u>	<u>\$ (4,307)</u>	<u>\$ (8,214)</u>	<u>\$ (36,369)</u>

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

	Rural Schools and Low Income Program - Pass Through State	Title III, Influx	Education Jobs	Insurance Reserve	Student Financial Aid	Payroll Clearing	Totals
Cash and investments - beginning	\$ (9,868)	\$ -	\$ (116,850)	\$ -	\$ 2	\$ 1,747,045	\$ 48,337,161
Receipts:							
Local sources	-	-	-	-	-	-	47,689,450
Intermediate sources	-	-	-	-	-	-	124,470
State sources	-	-	-	-	-	-	73,844,934
Federal sources	184,370	46,924	441,602	-	541,682	-	14,628,919
Other	-	-	-	2,059,963	-	32,266,878	34,328,748
Total receipts	<u>184,370</u>	<u>46,924</u>	<u>441,602</u>	<u>2,059,963</u>	<u>541,682</u>	<u>32,266,878</u>	<u>170,616,521</u>
Disbursements:							
Current:							
Instruction	154,263	44,671	315,788	-	450,430	-	65,493,208
Support services	34,992	1,561	8,964	-	-	-	38,360,320
Noninstructional services	-	-	-	-	-	-	5,956,499
Facilities acquisition and construction	1,007	2,132	-	-	-	-	8,134,869
Debt services	-	-	-	-	-	-	13,346,709
Nonprogrammed charges	-	-	-	240,915	85,747	33,506,245	41,519,151
Total disbursements	<u>190,262</u>	<u>48,364</u>	<u>324,752</u>	<u>240,915</u>	<u>536,177</u>	<u>33,506,245</u>	<u>172,810,756</u>
Excess (deficiency) of receipts over disbursements	<u>(5,892)</u>	<u>(1,440)</u>	<u>116,850</u>	<u>1,819,048</u>	<u>5,505</u>	<u>(1,239,367)</u>	<u>(2,194,235)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	2,000,000
Sale of capital assets	-	-	-	-	-	-	27,391
Transfers in	-	-	-	-	-	-	4,280,869
Transfers out	-	-	-	-	-	-	(4,280,869)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,027,391</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(5,892)</u>	<u>(1,440)</u>	<u>116,850</u>	<u>1,819,048</u>	<u>5,505</u>	<u>(1,239,367)</u>	<u>(166,844)</u>
Cash and investments - ending	<u>\$ (15,760)</u>	<u>\$ (1,440)</u>	<u>\$ -</u>	<u>\$ 1,819,048</u>	<u>\$ 5,507</u>	<u>\$ 507,678</u>	<u>\$ 48,170,317</u>

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2013

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Capital leases:		
North Central Building Campus - 2006	\$ 15,415,000	\$ 1,475,000
North Central Building Campus - 2008	25,600,000	2,466,500
Chase Equipment Finance Portables lease	<u>438,818</u>	<u>303,596</u>
Subtotal - Capital leases	<u>41,453,818</u>	<u>4,245,096</u>
Bonds payable:		
General obligation bonds:		
Projects and Equipment - 2011	500,000	502,600
Projects and Equipment - Spring 2012	1,000,000	1,014,375
Projects and Equipment - Fall 2012	1,500,000	1,007,750
Taxable Pension Bonds	<u>6,905,000</u>	<u>1,463,075</u>
Subtotal - Bonds payable	<u>9,905,000</u>	<u>3,987,800</u>
Common School Loans/STAA:		
Common School Loan - 2012	1,020,080	216,261
STAA	<u>219,200</u>	<u>46,721</u>
Subtotal - Common School Loans/STAA	<u>1,239,280</u>	<u>262,982</u>
Total debt	<u><u>\$ 52,598,098</u></u>	<u><u>\$ 8,495,878</u></u>

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
AUDIT RESULTS AND COMMENTS

CREDIT CARDS

The School Corporation used credit cards to purchase various items on a regular basis. The credit card policy approved by the governing board was vague and left the School Corporation's administrative personnel responsible for developing and enforcing credit card guidelines. General guidelines for the use of credit cards were established by the administration and requires the signature of each person who is assigned a credit card. Credit cards were in the custody of and used by a number of School Corporation employees to make an extensive amount of purchases each month. One of the monthly credit card statements indicated the School Corporation had 34 different credit cards. During the audit period, credit card purchases totaled \$8,666,498, which represents approximately 20 percent of the vendor disbursements. A similar comment regarding the credit card policy appeared in prior Report B42026.

It was also noted that the entire amount due on the monthly credit card statements was paid each month without ensuring that all the supporting documentation, such as original receipts or invoices, was available. Documentation provided for audit indicated that on many occasions the supporting documentation was not delivered to the business office until after the amounts were paid. The timing of delivery ranged from one month to seven months after the charge transaction occurred. Supporting documentation to verify the validity of each charge transaction should be available before the payment is made to the credit card company.

The Indiana State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
AUDIT RESULTS AND COMMENTS
(Continued)

8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement presented for audit contained the following items prohibited by Indiana Code 20-29-6-4.5:

- States the word hours in describing what was considered full time for homebound teachers.
- States information about the teacher evaluation procedures.
- States the reimbursement for mileage.
- States the types of unpaid leave, including: personal, training, and office/staff.

Additionally, the contract indicated it was effective June 18, 2011, which was incorrect. The date had not been updated since the prior contract year. The contract was signed July 1, 2012.

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) The school calendar.
 - (2) Teacher dismissal procedures and criteria.
 - (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
 - (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
 - (5) Any subject not expressly listed in section 4 of this chapter.
- (b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

CORRECTION OF ERRORS - NEGATIVE TRANSACTIONS

The School Corporation used negative receipts and disbursements in numerous instances to make corrections in the financial records. These corrections were primarily to reallocate receipts or disbursements to different line items or funds that were not within the same reporting period. This can result in negative totals for receipts and/or disbursements being reported for the accounting period. As a result, the Rainy Day fund reported negative receipts of \$13,634 on the financial statement. Negative transactions should not appear on the financial statement. A similar comment appeared in prior audit reports, most recently Report B42026.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DEPOSITS

Receipts were not always deposited within the next business day. Of the receipts tested, 16 percent were not deposited timely. In one instance, the deposit was two weeks after the check was received.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF WASHINGTON TOWNSHIP, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Washington Township's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

Other Matters

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

Report on Internal Control Over Compliance

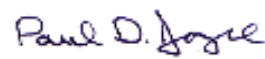
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over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

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

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

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

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


Paul D. Joyce, CPA
State Examiner

March 21, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster				
School Breakfast Program	Indiana Department of Education	10.553	FY 2013	\$ 1,122,069
National School Lunch Program After School Hours Program	Indiana Department of Education	10.555	FY 2013 FY 2013	2,940,307 45,641
Total for National School Lunch Program				<u>2,985,948</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2013	<u>162,094</u>
Total for Child Nutrition Cluster				<u>4,270,111</u>
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 2013	<u>142,024</u>
Total for federal grantor agency				<u>4,412,135</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
WIA Cluster				
WIA Youth Activities	Indianapolis Private Industry Council	17.259	S1307-WO-10-Y S1307-WO-10-Y	33,709 90,761
Total for WIA Youth Activities				<u>124,470</u>
Total for WIA Cluster				<u>124,470</u>
Total for federal grantor agency				<u>124,470</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	12-5370 13-5370 12-5370	1,014,277 2,770,680 43,073
Distinguished Schools - Allisonville Elementary				<u>43,073</u>
Total for Title I Grants to Local Educational Agencies				<u>3,828,030</u>
Total for Title I, Part A Cluster				<u>3,828,030</u>
Special Education Cluster (IDEA)				
Special Education - Grants to States	Indiana Department of Education	84.027	14212-060-PN01 14213-060-PN01 A58-3-13DL-0081	725,090 2,162,586 70,000
Improvement Grant				<u>70,000</u>
Total for Special Education - Grants to States				<u>2,957,676</u>

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Special Education Cluster (IDEA) (continued)				
Special Education - Preschool Grants	Indiana Department of Education	84.173	45712-060-PN01 45713-060-PN01	39,110 <u>52,000</u>
Total for Special Education - Preschool Grants				<u>91,110</u>
Total for Special Education Cluster (IDEA)				<u>3,048,786</u>
Student Financial Aid Cluster				
Federal PELL Grant Program	Direct Grant	84.063	P063P124146 P063Q124146	144,197 <u>230</u>
Total for Federal PELL Grant Program				<u>144,427</u>
Federal Direct Student Loans	Direct Grant	84.268	P268K124146 P268K134146	69,662 <u>298,794</u>
Total for Federal Direct Student Loans				<u>368,456</u>
Total for Student Financial Aid Cluster				<u>512,883</u>
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002	C1-2-AE-1-833	<u>73,302</u>
Education for Homeless Children and Youth	Indiana Department of Education	84.196	FY 2012 FY 2013	33,988 <u>34,893</u>
Total for Education of Homeless Children and Youth				<u>68,881</u>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048	12-4700-5370 13-4700-5370	375,961 <u>564,248</u>
Total for Career and Technical Education - Basic Grants to States				<u>940,209</u>
Projects with Industry	Indiana Department of Education	84.234	13-4700-5370	<u>23,361</u>
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287	Cohort IV, Yr 3 Cohort IV, Yr 4 Cohort V, Yr 2 Cohort V, Yr 3	71,622 199,076 15,837 <u>363,827</u>
Total for Twenty-First Century Community Learning Centers				<u>650,362</u>

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
English Language Acquisition State Grants	Indiana Department of Education	84.365	01112-062-PN01	16,658
Immigrant Influx			01113-065-PN01	167,712
			01113-062-FLUX	<u>46,924</u>
Total for English Language Acquisition State Grants				<u>231,294</u>
Mathematics and Science Partnerships	Indiana Department of Education	84.366		
Science			A58-3-13CI-1267	128,803
Math			A58-3-13CI-1267	<u>161,319</u>
Total for Mathematics and Science Partnerships				<u>290,122</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	12-5370	170,828
			13-5370	<u>188,042</u>
Total for Improving Teacher Quality State Grants				<u>358,870</u>
Education Jobs Fund	Indiana Department of Education	84.410	S410A100015/5370	<u>441,602</u>
Total for federal grantor agency				<u>10,467,702</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Refugee and Entrant Assistance - Discretionary Grants	Indiana Department of Education	93.576	62630/59Q00	9,742
			700REFSCHLIMF11-004	<u>25,542</u>
Total for Refugee and Entrant Assistance - Discretionary Grants				<u>35,284</u>
Total for federal grantor agency				<u>35,284</u>
Total federal awards expended				<u>\$ 15,039,591</u>

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

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the year ended June 30, 2013:

Program Title	Federal CFDA Number	2012-2013
Projects with Industry	84.234	\$ 23,361

Note 3. Noncash Assistance

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

Program Title	Federal CFDA Number	2012-2013
National School Lunch Program	10.555	\$ 216,167
School Breakfast Program	10.553	81,183

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$451,188

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statement.

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

2. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation does not have an effective process to identify, communicate, and implement corrective actions to improve controls.

As a result, the financial statement of the School Corporation contained the following deficiencies which were also considered noncompliance:

1. The PELL Grant and Direct Student Loans programs, which make up the activity of the Student Financial Aid fund, was not included in the School Corporation's financial statement. These programs were administered at the J. Everett Light Career Center (JELCC). The grant monies were deposited directly from the federal government into separate bank accounts for the PELL Grant and Direct Student Loans. Receipts and disbursements were not recorded in the financial records of the School Corporation to coincide with the activity of these bank accounts. Checks were written from the PELL Grant and Direct Student Loan bank accounts and deposited into the bank account of JELCC; the money was receipted into the extra-curricular records of JELCC at that time. The School Corporation has the responsibility to account for the financial transactions related to federal grants and should reflect them in their financial statement. Adjustments to the financial statement to include the activity and balances of the financial aid programs were proposed to management. Management approved these adjustments to the financial statement.
2. A subaccount, referred to as Benefits Reserve, was established within the Payroll Clearing fund for the purpose of accumulating and reserving cash for unexpected expenses related to self-insurance needs. Recording the activity and balance of the Benefits Reserve account in the Payroll Clearing fund was not appropriate and misrepresented the financial activity and cash balance of the Payroll Clearing fund. Adjustments to the financial statement moving the Benefits Reserve financial activity and cash balance from the Payroll Clearing fund to a separate fund were proposed to management. Management approved these adjustments to the financial statement.
3. A separate bank account was established to allow the School Corporation's health care service agency to pay insurance claims as they came due and to deposit insurance refunds as they were received. The bank account is required to maintain a minimum balance. The School Corporation received reports from the health care service agency on a weekly basis detailing the claims paid and refunds received. Those amounts were netted to determine the amount the School Corporation needed to transfer to the self-insurance bank account. When the money was transferred to this bank account, the net amount transferred was recorded as a disbursement to the Self-Insurance fund. The actual claims paid, refunds received, and actual cash balance handled by the health care service agency on behalf of the School Corporation was not recorded in the financial records. Amounts were not considered material; therefore, adjustments to the financial statement were not made.
4. Purchases made using a credit card method of payment were not recorded in the financial records appropriately. Credit cards were used by numerous individuals on a frequent basis to purchase goods and services. As the purchases were charged to the School Corporation

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

credit account, the receipts and invoices obtained for those purchases were sent to the business office, were accumulated for the week, and processed as a claim for payment. The claims were presented to the governing board and then recorded in the financial records as disbursements. The School Corporation received monthly credit card statements detailing all the credit card transactions and requesting payment of the total for the month. The total amount due on the credit card statement was paid via wire transfer; however, nothing was recorded in the financial records for this payment. This caused variances between the financial records and the bank activity. The variances are primarily timing issues, which can result in transactions not being accounted for in the appropriate accounting period. Additionally, if original documentation for the initial credit card purchases was not presented to the business office, the disbursement would not be recorded and would result in an understatement of disbursements for the accounting period and overstatement of cash which would continue until the documentation was presented or a correction was made to the financial records.

5. Bank reconciliations included reconciling items that were not supported by adequate detail and were carried on monthly reconcilments for prolonged periods without being corrected in the financial records. Without adequate detail, reconciling items may not be corrected appropriately against receipts and disbursements in the financial records or corrected in the appropriate accounting period. The June 30, 2013 bank reconciliation included the following reconciling items that did not have adequate detail or had remained uncorrected for a prolonged period:
 - a. Unrecorded deposit from March 2013 of \$103,789 - receipted into records December 2013.
 - b. Unrecorded bank fees from June 2012, which totaled \$42,183.
 - c. Unidentified amount of \$4,477 dating back to at least June 2012, bank short - adequate detail not available to verify amount.
 - d. Payroll transfers variance totaling \$151,811, bank short - adequate detail not available to verify amount.
 - e. Credit card variances totaling \$799,885, bank long - related to accounting issues noted in item 4 above, and did not have adequate detail available to verify the amount.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



WASHINGTON TOWNSHIP

Mr. Joseph A. Licata, CPA, *Chief Business Officer*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No. 2012-1

Original SBA Audit Report Number:	B42026
Fiscal Year	2012
Auditee Contact Person	Joseph A. Licata
Title of Contact Person	Chief Business Officer
Telephone Number	317-205-3332, Ext. 77210
Status of Finding	Procedures are in place to ensure that the SEFA includes all federal awards.

INTERNAL CONTROL OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Corrective Action Plan – Response to Finding

The corrective Action Plan stated that the Metropolitan School District of Washington Township will put proper procedures in place to ensure that the Schedule of Expenditures of Federal Awards is prepared in such a manner that it includes all federal programs awarded to the school district.

Finding No. 2012-2

Original SBA Audit Report Number:	B42026
Fiscal Year	2012
Auditee Contact Person	Joseph A. Licata
Title of Contact Person	Chief Business Officer
Telephone Number	317-205-3332, Ext. 77210
Status of Finding	We believe internal controls are in place that prevent unallowable costs from being charged to federal programs.

ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES

Corrective Action Plan – Response to Finding

MSD Washington Township will develop effective internal controls designed to prevent unallowed costs from being charged to this federal program.

Finding No. 2012-3

Original SBA Audit Report Number:	B42026
Fiscal Year	2012
Auditee Contact Person	Joseph A. Licata
Title of Contact Person	Chief Business Officer
Telephone Number	317-205-3332, Ext. 77210
Status of Finding	Improved procedures and controls have been developed and implemented to insure there is proper supporting documentation for federal reimbursements.

CASH MANAGEMENT AND REPORTING

MSD Washington Township will develop and implement improved procedures and controls to ensure that supporting documentation for a reimbursement is more easily traced and reconciled to financial records.

Finding No. 2012-4

Original SBA Audit Report Number:	B42026
Fiscal Year	2012
Auditee Contact Person	Joseph A. Licata
Title of Contact Person	Chief Business Officer
Telephone Number	317-205-3332, Ext. 77210
Status of Finding	Payments directly to nonpublic schools have been stopped.

ACTIVITIES ALLOWED OR UNALLOWED

MSD Washington Township will develop and establish internal controls to ensure that grant requirements are complied with and that federal funds are spent on allowable activities.

Respectfully,

Joseph A. Licata, CBO, MSDWT



March 20, 2014

**CORRECTIVE ACTION PLAN – RESPONSE TO FINDINGS
FEDERAL AWARDS
JULY 1, 2012 TO JUNE 30, 2013**

Finding No. 2013-001 – INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Corrective Action Plan – Response to Finding

MSDWT will develop more effective internal controls to better identify and analyze the risks of material misstatement to the districts financial statements and notes.

Specific Issues:

- 1) Student Financial Aid Fund – This will be a self-correcting situation as the program where students are eligible for financial aid is being phased out. The district will no longer receive financial aid as of June 30, 2014.
- 2) An Insurance Reserve Fund will be established and the balance from the clearing subaccount will be receipted into the new fund.
- 3) A separate bank account has been established and our internal process of posting to the self-insurance funds is under review.
- 4) The entire purchasing/credit card system is being reviewed. This includes purchases, posting of expenses to FMS, payment of credit card bills, all documentation, the timing of transactions, and the approval process of claims. We anticipate making changes that will improve the integrity of our records and the realignment with the timing of positings and transactions.
- 5) The bank reconciliation process is already being corrected and the appropriate adjustment will be made to eliminate old reconciling items. Variances credit cards will be resolved along with the evaluation of the purchasing card system.

Respectfully,

Joseph A. Licata
Chief Business Officer

Cc: Dr. Nikki Woodson, Superintendent
Mr. William Turner, President, Board of Education

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2014, with Joseph Licata, Chief Business Officer/Treasurer; Dr. Nikki Woodson, Superintendent of Schools; and Wanda Spann Roddy, Vice President of the School Board. The Official Response has been made a part of this report and may be found on page 53.



OFFICIAL RESPONSE

March 28, 2014

State Board of Accounts
Room E 418
302 West Washington Street
Indianapolis, IN 46307-2765

Dear Mr. Joyce,

This is the Official Response to become a part of the audit report of the Metropolitan School District of Washington Township, for the year ending June 30, 2013.

We concur with the Audit Results and Comments presented at the exit conference. We will make every effort to have the issues corrected as quickly as possible.

The field staff, lead by Ms. Shannon Lopez, that performed our audit was extremely professional and helpful. Thank you very much.

Respectfully,

Joseph A. Licata
Chief Business Officer

Cc: Dr. Nikki Woodson, Superintendent
Mr. William Turner, President, Board of Education