

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF MARTINSVILLE
MORGAN COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
02/01/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly LaRue Whitney Teeters	07-01-15 to 11-15-17 11-16-17 to 12-31-18
Superintendent of Schools	Dr. Michele Moore	07-01-15 to 06-30-19
President of the School Board	Rebecca J. Weddle Tana Lobb Dave Rinehart	07-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Metropolitan School District of Martinsville (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2018, 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 solely 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 effectiveness of the School Corporation's 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.


Paul D. Joyce, CPA
State Examiner

December 5, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Metropolitan School District of Martinsville (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated December 5, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

Metropolitan School District of Martinsville's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

December 5, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

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METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments			Other Financing Sources (Uses)	Cash and Investments
	07-01-15	Receipts	Disbursements		06-30-16	Receipts	Disbursements		
General	\$ 7,339,638	\$ 31,693,366	\$ 29,900,792	\$ 298,169	\$ 9,430,381	\$ 30,818,736	\$ 31,458,264	\$ 6,495	\$ 8,797,348
Debt Service	1,005,905	1,727,195	2,146,841	(85,341)	500,918	1,904,457	1,971,989	(81,211)	352,175
Retirement/Severance Bond Debt Service	503,878	701,022	876,581	-	328,319	246,656	574,975	-	-
Capital Projects	2,966,825	4,063,581	4,174,559	-	2,855,847	4,150,701	3,127,186	-	3,879,362
School Transportation	3,162,224	2,760,183	2,660,288	-	3,262,119	2,960,318	2,996,721	(415,550)	2,810,166
School Bus Replacement	1,617,415	-	370,561	-	1,246,854	256,436	440,200	-	1,063,090
Rainy Day	1,044,340	66,327	-	-	1,110,667	-	62,775	415,550	1,463,442
Construction	900,551	14,664	2,658,810	3,800,000	2,056,405	-	2,038,401	40,000	58,004
School Lunch	909,687	2,601,355	2,679,601	-	831,441	2,388,130	2,348,868	-	870,703
Textbook Rental	1,165,595	506,533	520,031	85,341	1,237,438	524,002	1,305,593	81,211	537,058
Self-Insurance	-	32,350	25,011	-	7,339	-	7,339	-	-
Levy Excess	9	-	-	-	9	-	-	-	9
Alternative Education	-	17,980	-	-	17,980	22,752	10,261	-	30,471
Lilly Grant 20161257	-	-	-	-	-	30,000	10,587	-	19,413
Scholarships and Awards	197,640	23,966	37,310	-	184,296	66,876	90,041	-	161,131
Construction, Remodeling, and Equipping Buildings	700	-	-	-	700	-	-	-	700
K2015-16-S-22	-	3,308	3,308	-	-	-	-	-	-
Duke Energy Summer Grant	11,162	22,640	19,456	-	14,346	21,074	24,537	-	10,883
St. Francis - Donation	810	-	-	-	810	-	-	-	810
PASS Grant K2014-15-S-19	3,465	-	3,465	-	-	-	-	-	-
Pass Grant KF1615	-	22,400	18,935	-	3,465	22,400	22,418	-	3,447
K2015-2016-S-23 Kendrick Grant	-	2,175	2,175	-	-	-	-	-	-
Knights of Columbus - PS	729	-	-	-	729	-	-	-	729
Instructional Support	-	-	-	-	-	650	1,331	-	(681)
Early Intervention Grant	-	-	-	-	-	22,741	4,400	-	18,341
Formative Assessment	-	5,968	5,968	-	-	58,952	46,463	-	12,489
Project 03415-193-PN01 GT	2,047	-	1,984	-	63	-	63	-	-
High Ability Grant 2015-2016	-	48,573	43,412	-	5,161	-	5,161	-	-
High Ability Grant 2017	-	-	-	-	-	46,955	38,989	-	7,966
Secured Schools Safety Grant	-	-	-	-	-	99,221	99,221	-	-
Spanish Immersion	-	36,799	39,579	-	(2,780)	12,286	9,506	-	-
Dual Language IMMER/Spanish IM	-	-	-	-	-	51,132	56,356	-	(5,224)
School Technology	-	71,106	71,106	-	-	245,906	150,692	-	95,214
Technology Plan Buddy	3,860	-	-	-	3,860	-	-	-	3,860
Career and Technical Performance Grant	-	-	-	-	-	20,954	20,954	-	-
Performance Based Awards	-	-	-	-	-	84,785	84,785	-	-
Senator David Ford Technology	-	-	12,000	-	(12,000)	25,913	16,338	-	(2,425)
Title I FY 14/15	(47,414)	170,234	122,820	-	-	-	-	-	-
Title I 15/16	-	845,080	922,040	-	(76,960)	193,544	116,584	-	-
Title I FY17	-	-	-	-	-	685,928	724,392	-	(38,464)
Homeless 2013/16	(2,255)	2,878	623	-	-	-	-	-	-
Homeless 2015-2016	-	12,152	13,669	-	(1,517)	17,791	16,274	-	-
Homeless Grant SY 16-17	-	-	-	-	-	33,754	33,754	-	-
Project 14215-093-PN01	(31,151)	598,929	568,471	-	(693)	23,521	22,828	-	-
FY 2016 Part B 611	-	507,276	542,260	-	(34,984)	639,466	604,482	-	-
SPED PART B FY17	-	-	-	-	-	411,441	470,279	-	(58,838)
PROJECT#14214-039-PN01	-	14,941	14,941	-	-	-	-	-	-
PART B TECHNICAL ASSIST FY2014	-	5,099	5,099	-	-	-	-	-	-
PROJ 45715-03-PN01	-	5,090	5,090	-	-	-	-	-	-
FY 2016 Preschool Grant	-	21,711	21,710	-	1	20,321	20,455	-	(133)
FY 2017 Part B 619 Preschool	-	-	-	-	-	10,359	10,359	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(12,057)	189,814	185,380	-	(7,623)	161,975	158,253	-	(3,901)
8000_Payroll Withholdings	9,702	13,107,182	13,157,030	-	(40,146)	13,553,322	13,391,028	-	122,148
9800_Payroll Withholdings	1,958	18,516	20,474	-	-	16,864	17,963	-	(1,099)
Prepaid School Lunch	26,828	927,836	929,913	-	24,751	870,548	858,619	-	36,680
Totals	\$ 20,782,091	\$ 60,848,229	\$ 62,781,293	\$ 4,098,169	\$ 22,947,196	\$ 60,720,867	\$ 63,469,684	\$ 46,495	\$ 20,244,874

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments.

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

D. Receipts

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

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

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, and other similar fees.

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

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, and revenue for or on behalf of the School Corporation.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed 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. Amounts received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

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

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

Transfers out. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, 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 grant funds that are required to be spent prior to reimbursement by the grantor agency. There were disbursements made from these funds as of June 30, 2016 and 2017, that were not yet reimbursed.

Note 8. Restatements

For the year ended June 30, 2016, changes were made to include one fund omitted from the prior financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

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

Fund	Balance as of June 30, 2015	Prior Period Adjustment	Balance as of July 1, 2015
9800_Payroll Withholdings	\$ -	\$ 1,958	\$ 1,958

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with The Greater Martinsville School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2016 and 2017, totaled \$977,793 and \$519,500, respectively.

Note 10. Combined Funds

The Prepaid Lunch fund, which is used to account for activity in individual student lunch accounts, was reported individually in the current financial statement, but was combined with the School Lunch fund and reported as one fund in the prior financial statement.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports 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 other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 7,339,638	\$ 1,005,905	\$ 503,878	\$ 2,966,825	\$ 3,162,224	\$ 1,617,415	\$ 1,044,340
Receipts:							
Local sources	271,982	1,727,195	701,022	4,063,581	2,757,536	-	66,327
Intermediate sources	-	-	-	-	-	-	-
State sources	31,421,175	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	209	-	-	-	2,647	-	-
Total receipts	31,693,366	1,727,195	701,022	4,063,581	2,760,183	-	66,327
Disbursements:							
Instruction	21,144,058	-	-	-	-	-	-
Support services	8,405,019	-	-	2,378,567	2,660,288	370,561	-
Noninstructional services	341,670	-	-	-	-	-	-
Facilities acquisition and construction	10,045	-	-	1,795,992	-	-	-
Debt service	-	2,146,841	876,581	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	29,900,792	2,146,841	876,581	4,174,559	2,660,288	370,561	-
Excess (deficiency) of receipts over disbursements	1,792,574	(419,646)	(175,559)	(110,978)	99,895	(370,561)	66,327
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	298,169	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(85,341)	-	-	-	-	-
Total other financing sources (uses)	298,169	(85,341)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,090,743	(504,987)	(175,559)	(110,978)	99,895	(370,561)	66,327
Cash and investments - ending	\$ 9,430,381	\$ 500,918	\$ 328,319	\$ 2,855,847	\$ 3,262,119	\$ 1,246,854	\$ 1,110,667

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Alternative Education	Lilly Grant 20161257
Cash and investments - beginning	\$ 900,551	\$ 909,687	\$ 1,165,595	\$ -	\$ 9	\$ -	\$ -
Receipts:							
Local sources	14,664	1,016,198	227,838	32,350	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	23,366	278,695	-	-	17,980	-
Federal sources	-	1,561,791	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	14,664	2,601,355	506,533	32,350	-	17,980	-
Disbursements:							
Instruction	-	-	-	-	-	-	-
Support services	-	855	520,031	-	-	-	-
Noninstructional services	-	2,678,746	-	-	-	-	-
Facilities acquisition and construction	2,658,810	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	25,011	-	-	-
Total disbursements	2,658,810	2,679,601	520,031	25,011	-	-	-
Excess (deficiency) of receipts over disbursements	(2,644,146)	(78,246)	(13,498)	7,339	-	17,980	-
Other financing sources (uses):							
Proceeds of long-term debt	3,800,000	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	85,341	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	3,800,000	-	85,341	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,155,854	(78,246)	71,843	7,339	-	17,980	-
Cash and investments - ending	\$ 2,056,405	\$ 831,441	\$ 1,237,438	\$ 7,339	\$ 9	\$ 17,980	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Scholarships and Awards	Construction, Remodeling, and Equipping Buildings	K2015-16-S-22	Duke Energy Summer Grant	St. Francis - Donation	PASS Grant K2014-15-S-19	Pass Grant KF1615
Cash and investments - beginning	\$ 197,640	\$ 700	\$ -	\$ 11,162	\$ 810	\$ 3,465	\$ -
Receipts:							
Local sources	23,966	-	3,308	22,640	-	-	-
Intermediate sources	-	-	-	-	-	-	22,400
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	23,966	-	3,308	22,640	-	-	22,400
Disbursements:							
Instruction	-	-	3,308	19,456	-	3,465	18,935
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	37,310	-	-	-	-	-	-
Total disbursements	37,310	-	3,308	19,456	-	3,465	18,935
Excess (deficiency) of receipts over disbursements	(13,344)	-	-	3,184	-	(3,465)	3,465
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	(13,344)	-	-	3,184	-	(3,465)	3,465
Cash and investments - ending	\$ 184,296	\$ 700	\$ -	\$ 14,346	\$ 810	\$ -	\$ 3,465

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	K2015-2016-S-23 Kendrick Grant	Knights of Columbus - PS	Instructional Support	Early Intervention Grant	Formative Assessment	Project 03415-193-PN01 GT	High Ability Grant 2015-2016
Cash and investments - beginning	\$ -	\$ 729	\$ -	\$ -	\$ -	\$ 2,047	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	2,175	-	-	-	-	-	-
State sources	-	-	-	-	5,968	-	48,573
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	2,175	-	-	-	5,968	-	48,573
Disbursements:							
Instruction	-	-	-	-	5,968	1,984	43,412
Support services	2,175	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,175	-	-	-	5,968	1,984	43,412
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(1,984)	5,161
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	-	-	-	-	-	(1,984)	5,161
Cash and investments - ending	\$ -	\$ 729	\$ -	\$ -	\$ -	\$ 63	\$ 5,161

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	High Ability Grant 2017	Secured Schools Safety Grant	Spanish Immersion	Dual Language IMMER/ Spanish IM	School Technology	Technology Plan Buddy	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,860	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	36,799	-	71,106	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	36,799	-	71,106	-	-
Disbursements:							
Instruction	-	-	39,579	-	-	-	-
Support services	-	-	-	-	71,106	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	39,579	-	71,106	-	-
Excess (deficiency) of receipts over disbursements	-	-	(2,780)	-	-	-	-
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	-	-	(2,780)	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ (2,780)	\$ -	\$ -	\$ 3,860	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Performance Based Awards	Senator David Ford Technology	Title I FY 14/15	Title I 15/16	Title I FY17	Homeless 2013/16	Homeless 2015-2016
Cash and investments - beginning	\$ -	\$ -	\$ (47,414)	\$ -	\$ -	\$ (2,255)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	170,234	845,080	-	2,878	12,152
Other receipts	-	-	-	-	-	-	-
Total receipts	-	-	170,234	845,080	-	2,878	12,152
Disbursements:							
Instruction	-	-	105,042	819,279	-	-	-
Support services	-	12,000	14,533	82,698	-	623	13,669
Noninstructional services	-	-	3,245	20,063	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	12,000	122,820	922,040	-	623	13,669
Excess (deficiency) of receipts over disbursements	-	(12,000)	47,414	(76,960)	-	2,255	(1,517)
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	-	(12,000)	47,414	(76,960)	-	2,255	(1,517)
Cash and investments - ending	\$ -	\$ (12,000)	\$ -	\$ (76,960)	\$ -	\$ -	\$ (1,517)

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Homeless Grant SY 16-17	Project 14215-093-PN01	FY 2016 Part B 611	SPED PART B FY 17	PROJECT #14214-039-PN01	PART B TECHNICAL ASSIST FY2014	PROJ 45715-03-PN01
Cash and investments - beginning	\$ -	\$ (31,151)	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	598,929	507,276	-	14,941	5,099	5,090
Other receipts	-	-	-	-	-	-	-
Total receipts	-	598,929	507,276	-	14,941	5,099	5,090
Disbursements:							
Instruction	-	434,948	322,929	-	-	-	5,090
Support services	-	133,523	219,331	-	14,941	5,099	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	568,471	542,260	-	14,941	5,099	5,090
Excess (deficiency) of receipts over disbursements	-	30,458	(34,984)	-	-	-	-
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	-	30,458	(34,984)	-	-	-	-
Cash and investments - ending	\$ -	\$ (693)	\$ (34,984)	\$ -	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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	FY 2016 Preschool Grant	FY 2017 Part B 619 Preschool	Improving Teacher Quality, No Child Left, Title II, Part A	8000_ Payroll Withholdings	9800_ Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (12,057)	\$ 9,702	\$ 1,958	\$ 26,828	\$ 20,782,091
Receipts:							
Local sources	-	-	-	-	-	927,836	11,856,443
Intermediate sources	-	-	-	-	-	-	24,575
State sources	-	-	-	-	-	-	31,903,662
Federal sources	21,711	-	189,814	-	-	-	3,934,995
Other receipts	-	-	-	13,107,182	18,516	-	13,128,554
Total receipts	21,711	-	189,814	13,107,182	18,516	927,836	60,848,229
Disbursements:							
Instruction	21,710	-	-	-	-	-	22,989,163
Support services	-	-	185,380	-	-	-	15,090,399
Noninstructional services	-	-	-	-	-	929,913	3,973,637
Facilities acquisition and construction	-	-	-	-	-	-	4,464,847
Debt service	-	-	-	-	-	-	3,023,422
Nonprogrammed charges	-	-	-	13,157,030	20,474	-	13,239,825
Total disbursements	21,710	-	185,380	13,157,030	20,474	929,913	62,781,293
Excess (deficiency) of receipts over disbursements	1	-	4,434	(49,848)	(1,958)	(2,077)	(1,933,064)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	3,800,000
Sale of capital assets	-	-	-	-	-	-	298,169
Transfers in	-	-	-	-	-	-	85,341
Transfers out	-	-	-	-	-	-	(85,341)
Total other financing sources (uses)	-	-	-	-	-	-	4,098,169
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1	-	4,434	(49,848)	(1,958)	(2,077)	2,165,105
Cash and investments - ending	\$ 1	\$ -	\$ (7,623)	\$ (40,146)	\$ -	\$ 24,751	\$ 22,947,196

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance/ Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 9,430,381	\$ 500,918	\$ 328,319	\$ 2,855,847	\$ 3,262,119	\$ 1,246,854	\$ 1,110,667
Receipts:							
Local sources	255,228	1,904,457	246,656	4,150,701	2,954,933	256,436	-
Intermediate sources	-	-	-	-	-	-	-
State sources	30,563,508	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	5,385	-	-
Total receipts	30,818,736	1,904,457	246,656	4,150,701	2,960,318	256,436	-
Disbursements:							
Instruction	21,163,806	-	-	-	-	-	-
Support services	8,919,246	-	-	2,116,306	2,996,721	440,200	62,775
Noninstructional services	378,561	-	-	-	-	-	-
Facilities acquisition and construction	934,398	-	-	1,010,880	-	-	-
Debt service	62,253	1,971,989	574,975	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	31,458,264	1,971,989	574,975	3,127,186	2,996,721	440,200	62,775
Excess (deficiency) of receipts over disbursements	(639,528)	(67,532)	(328,319)	1,023,515	(36,403)	(183,764)	(62,775)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	6,495	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	415,550
Transfers out	-	(81,211)	-	-	(415,550)	-	-
Total other financing sources (uses)	6,495	(81,211)	-	-	(415,550)	-	415,550
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(633,033)	(148,743)	(328,319)	1,023,515	(451,953)	(183,764)	352,775
Cash and investments - ending	\$ 8,797,348	\$ 352,175	\$ -	\$ 3,879,362	\$ 2,810,166	\$ 1,063,090	\$ 1,463,442

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
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 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Construction	School Lunch	Textbook Rental	Self-Insurance	Levy Excess	Alternative Education	Lilly Grant 20161257
Cash and investments - beginning	\$ 2,056,405	\$ 831,441	\$ 1,237,438	\$ 7,339	\$ 9	\$ 17,980	\$ -
Receipts:							
Local sources	-	915,519	347,866	-	-	-	30,000
Intermediate sources	-	-	-	-	-	-	-
State sources	-	21,651	176,136	-	-	22,752	-
Federal sources	-	1,450,960	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	2,388,130	524,002	-	-	22,752	30,000
Disbursements:							
Instruction	-	-	-	-	-	10,261	-
Support services	-	855	1,305,593	-	-	-	10,587
Noninstructional services	-	2,348,013	-	-	-	-	-
Facilities acquisition and construction	2,038,401	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	7,339	-	-	-
Total disbursements	2,038,401	2,348,868	1,305,593	7,339	-	10,261	10,587
Excess (deficiency) of receipts over disbursements	(2,038,401)	39,262	(781,591)	(7,339)	-	12,491	19,413
Other financing sources (uses):							
Proceeds of long-term debt	40,000	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	81,211	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	40,000	-	81,211	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,998,401)	39,262	(700,380)	(7,339)	-	12,491	19,413
Cash and investments - ending	\$ 58,004	\$ 870,703	\$ 537,058	\$ -	\$ 9	\$ 30,471	\$ 19,413

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Scholarships and Awards	Construction, Remodeling, and Equipping Buildings	K2015-16-S-22	Duke Energy Summer Grant	St. Francis - Donation	PASS Grant K2014-15-S-19	Pass Grant KF1615
Cash and investments - beginning	\$ 184,296	\$ 700	\$ -	\$ 14,346	\$ 810	\$ -	\$ 3,465
Receipts:							
Local sources	66,876	-	-	21,074	-	-	-
Intermediate sources	-	-	-	-	-	-	22,400
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	66,876	-	-	21,074	-	-	22,400
Disbursements:							
Instruction	-	-	-	24,537	-	-	22,418
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	90,041	-	-	-	-	-	-
Total disbursements	90,041	-	-	24,537	-	-	22,418
Excess (deficiency) of receipts over disbursements	(23,165)	-	-	(3,463)	-	-	(18)
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	(23,165)	-	-	(3,463)	-	-	(18)
Cash and investments - ending	\$ 161,131	\$ 700	\$ -	\$ 10,883	\$ 810	\$ -	\$ 3,447

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	K2015-2016-S-23 Kendrick Grant	Knights of Columbus - PS	Instructional Support	Early Intervention Grant	Formative Assessment	Project 03415-193-PN01 GT	High Ability Grant 2015-2016
Cash and investments - beginning	\$ -	\$ 729	\$ -	\$ -	\$ -	\$ 63	\$ 5,161
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	22,741	58,952	-	-
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	650	-	-	-	-
Total receipts	-	-	650	22,741	58,952	-	-
Disbursements:							
Instruction	-	-	1,331	4,400	46,463	63	5,161
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	1,331	4,400	46,463	63	5,161
Excess (deficiency) of receipts over disbursements	-	-	(681)	18,341	12,489	(63)	(5,161)
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	-	-	(681)	18,341	12,489	(63)	(5,161)
Cash and investments - ending	\$ -	\$ 729	\$ (681)	\$ 18,341	\$ 12,489	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	High Ability Grant 2017	Secured Schools Safety Grant	Spanish Immersion	Dual Language IMMER/ Spanish IM	School Technology	Technology Plan Buddy	Career and Technical Performance Grant
Cash and investments - beginning	\$ -	\$ -	\$ (2,780)	\$ -	\$ -	\$ 3,860	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	46,955	99,221	12,286	51,132	245,906	-	20,954
Federal sources	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>46,955</u>	<u>99,221</u>	<u>12,286</u>	<u>51,132</u>	<u>245,906</u>	<u>-</u>	<u>20,954</u>
Disbursements:							
Instruction	38,989	-	9,506	56,356	-	-	20,954
Support services	-	-	-	-	150,692	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	99,221	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>38,989</u>	<u>99,221</u>	<u>9,506</u>	<u>56,356</u>	<u>150,692</u>	<u>-</u>	<u>20,954</u>
Excess (deficiency) of receipts over disbursements	<u>7,966</u>	<u>-</u>	<u>2,780</u>	<u>(5,224)</u>	<u>95,214</u>	<u>-</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>7,966</u>	<u>-</u>	<u>2,780</u>	<u>(5,224)</u>	<u>95,214</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,224)</u>	<u>\$ 95,214</u>	<u>\$ 3,860</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Performance Based Awards	Senator David Ford Technology	Title I FY 14/15	Title I 15/16	Title I FY17	Homeless 2013/16	Homeless 2015-2016
Cash and investments - beginning	\$ -	\$ (12,000)	\$ -	\$ (76,960)	\$ -	\$ -	\$ (1,517)
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	84,785	25,913	-	-	-	-	-
Federal sources	-	-	-	193,544	685,928	-	17,791
Other receipts	-	-	-	-	-	-	-
Total receipts	84,785	25,913	-	193,544	685,928	-	17,791
Disbursements:							
Instruction	84,785	2,425	-	100,202	607,204	-	-
Support services	-	13,913	-	13,138	92,290	-	16,274
Noninstructional services	-	-	-	3,244	24,898	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	84,785	16,338	-	116,584	724,392	-	16,274
Excess (deficiency) of receipts over disbursements	-	9,575	-	76,960	(38,464)	-	1,517
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	-	9,575	-	76,960	(38,464)	-	1,517
Cash and investments - ending	\$ -	\$ (2,425)	\$ -	\$ -	\$ (38,464)	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Homeless Grant SY 16-17	Project 14215-093-PN01	FY 2016 Part B 611	SPED PART B FY 17	PROJECT #14214-039-PN01	PART B TECHNICAL ASSIST FY2014	PROJ 45715-03-PN01
Cash and investments - beginning	\$ -	\$ (693)	\$ (34,984)	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	33,754	23,521	639,466	411,441	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	33,754	23,521	639,466	411,441	-	-	-
Disbursements:							
Instruction	-	-	437,930	328,770	-	-	-
Support services	33,754	22,828	166,552	141,509	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	33,754	22,828	604,482	470,279	-	-	-
Excess (deficiency) of receipts over disbursements	-	693	34,984	(58,838)	-	-	-
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	-	693	34,984	(58,838)	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (58,838)	\$ -	\$ -	\$ -

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 OTHER FINANCING SOURCES (USES), AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	FY 2016 Preschool Grant	FY 2017 Part B 619 Preschool	Improving Teacher Quality, No Child Left, Title II, Part A	8000_ Payroll Withholdings	9800_ Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments - beginning	\$ 1	\$ -	\$ (7,623)	\$ (40,146)	\$ -	\$ 24,751	\$ 22,947,196
Receipts:							
Local sources	-	-	-	-	-	870,548	12,020,294
Intermediate sources	-	-	-	-	-	-	22,400
State sources	-	-	-	-	-	-	31,452,892
Federal sources	20,321	10,359	161,975	-	-	-	3,649,060
Other receipts	-	-	-	13,553,322	16,864	-	13,576,221
Total receipts	20,321	10,359	161,975	13,553,322	16,864	870,548	60,720,867
Disbursements:							
Instruction	20,455	9,109	-	-	-	-	22,995,125
Support services	-	1,250	158,253	-	-	-	16,662,736
Noninstructional services	-	-	-	-	-	858,619	3,613,335
Facilities acquisition and construction	-	-	-	-	-	-	4,082,900
Debt service	-	-	-	-	-	-	2,609,217
Nonprogrammed charges	-	-	-	13,391,028	17,963	-	13,506,371
Total disbursements	20,455	10,359	158,253	13,391,028	17,963	858,619	63,469,684
Excess (deficiency) of receipts over disbursements	(134)	-	3,722	162,294	(1,099)	11,929	(2,748,817)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	40,000
Sale of capital assets	-	-	-	-	-	-	6,495
Transfers in	-	-	-	-	-	-	496,761
Transfers out	-	-	-	-	-	-	(496,761)
Total other financing sources (uses)	-	-	-	-	-	-	46,495
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(134)	-	3,722	162,294	(1,099)	11,929	(2,702,322)
Cash and investments - ending	\$ (133)	\$ -	\$ (3,901)	\$ 122,148	\$ (1,099)	\$ 36,680	\$ 20,244,874

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF LEASES AND DEBT
 June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental Activities:				
The Greater Martinsville School Building Corporation	Renovations and Improvements to Secondary Schools	<u>\$ 862,500</u>	06/30/2017	12/31/2025

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	GOB 2015		\$ 2,505,000	\$ 738,893
General obligation bonds	GOB 2017		<u>4,000,000</u>	<u>-</u>
Total Governmental activities			<u>\$ 6,505,000</u>	<u>\$ 738,893</u>

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2017

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 265,877
Buildings	170,045,978
Improvements other than buildings	2,320,227
Machinery, equipment, and vehicles	<u>18,209,672</u>
Total capital assets	<u><u>\$ 190,841,754</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan School District of Martinsville's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2015 to June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003, 2017-004, 2017-006, and 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007, that we consider to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

December 5, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2016 and 2017

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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
Child Nutrition			FY2016	\$ -	\$ 348,580	\$ -	\$ -
Child Nutrition			FY2017	-	-	-	330,928
Total - School Breakfast Program				-	348,580	-	330,928
National School Lunch Program							
National School Lunch	Indiana Department of Education	10.555					
National School Lunch			FY2016	-	1,163,116	-	-
National School Lunch			FY2017	-	-	-	1,068,175
National School Lunch Commodities			FY2016	-	215,464	-	-
National School Lunch Commodities			FY2017	-	-	-	224,889
Total - National School Lunch Program				-	1,378,580	-	1,293,064
Special Milk Program for Children							
Special Milk Program for Children	Indiana Department of Education	10.556					
Special Milk Program for Children			FY2016	-	277	-	-
Special Milk Program for Children			FY2017	-	-	-	290
Total - Special Milk Program				-	277	-	290
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Summer Food Service Program for Children			FY2016	-	48,317	-	-
Summer Food Service Program for Children			FY2017	-	-	-	50,933
Total - Summer Food Service Program for Children				-	48,317	-	50,933
Total - Child Nutrition Cluster							
Total - Department of Agriculture				-	1,775,754	-	1,675,215
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
SPECIAL ED FY14 PARTB SECTION 611			14214-039-PN01	-	14,941	-	-
SPECIAL ED FY15 PART B SECTION 611			14215-037-PN01	-	-	-	23,521
SPECIAL ED FY15 PARTB 611			14215-039-PN01	-	598,929	-	-
SPECIAL ED FY16 PARTB SECTION 611			14216-037-PN01	-	507,276	-	639,466
SPECIAL ED FY16 PARTB SECTION 611			99914-039-TA01	-	5,099	-	-
SPECIAL ED FY 17 PART B SECTION 611			14217-037-PN01	-	-	-	411,441
Total - Special Education_Grants to States				-	1,126,245	-	1,074,428

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2016 and 2017

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	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16	Passed Through to Subrecipient 06-30-17	Total Federal Awards Expended 06-30-17
Special Education_Preschool Grants	Indiana Department of Education	84.173					
FY15 PRESCHOOL PART B 619			45715-039-PN01	-	5,090	-	-
FY16 PRESCHOOL PART B 619			45716-037-PN01	-	21,711	-	20,321
FY 17 PRESCHOOL PART B 619			45717-037-PN01	-	-	-	10,359
Total - Special Education_Preschool Grants				-	26,801	-	30,680
Total - Special Education Cluster (IDEA)				-	1,153,046	-	1,105,108
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
TITLE 1 2014-2015			15-5925	-	170,234	-	-
TITLE 1 2015-2016			16-5925	-	845,080	-	193,543
TITLE 1 2016-2017			17-5925	-	-	-	685,928
Total - Title I Grants to Local Educational Agencies				-	1,015,314	-	879,471
Education for Homeless Children and Youth	Indiana Department of Education	84.196					
MCKINNEY VENTO HOMELESS			FY 14	-	2,878	-	-
MCKINNEY VENTO HOMELESS			FY 15	-	12,152	-	17,791
MCKINNEY VENTO HOMELESS			FY 16	-	-	-	33,754
Total - Education for Homeless Children and Youth				-	15,030	-	51,545
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
TITLE II PART A			FY 13	-	3,284	-	-
TITLE II PART A			FY 14	-	83,780	-	-
TITLE II PART A			FY 15	-	102,750	-	82,263
TITLE II PART A			FY 16	-	-	-	79,712
Total - Supporting Effective Instruction State Grants				-	189,814	-	161,975
Total - Department of Education				-	2,373,204	-	2,198,099
Total federal awards expended				\$ -	\$ 4,148,958	\$ -	\$ 3,873,314

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2016 and 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

METROPOLITAN SCHOOL DISTRICT OF MARTINSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Unmodified
	Title I Grants to Local Educational Agencies	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the SEFA. One employee was responsible for the preparation and submission of the federal award information into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was understated by:
 - a. \$215,464 for fiscal year 2016 and \$224,889 for fiscal year 2017 due to the omission of Commodities.
 - b. \$277 for fiscal year 2016 due to the omission of the Special Milk Program for Children.
 - c. \$3,825 for fiscal year 2016 due to the omission of the After School Snack Program, which is included with the National School Lunch Program expenditures.
2. The Supporting Effective Instruction State Grants expenditures were understated by \$3,284 for fiscal year 2016.
3. The Special Education Cluster (IDEA) was understated by \$450 for fiscal year 2016.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities. . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

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

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting of the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

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FINDING 2017-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility

An effective internal control system was not in place to ensure the accuracy of the determination of students' eligibility for free or reduced priced meals. Application information was entered into cafeteria software, which automatically made the determination dependent on the information entered into the system. There was no segregation of duties, such as an oversight, review, or approval process to ensure the information was correctly entered into the system.

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

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed and was accurate. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding of the immediately prior audit. The prior audit finding number was 2015-007.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement requirements.

The School Corporation's policy is that the School Board shall accept/reject bids in a meeting open to the public. During the 2015-2016 school year, the School Corporation solicited and accepted bids for the purchase of food items; however, the food service bids were reviewed and accepted by the food service department as opposed to being accepted by the School Board during a public meeting.

Context

The lack of controls and the noncompliance were systemic issues during the 2015-2016 school year.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

The School Corporation's 6320 - Purchasing policy states in part: ". . . The Board shall accept or reject bids in a Board meeting open to the public and award contracts as a consequence of such bids. . . ."

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the procurement requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-004

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027. 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 14217-037-PN01,
45715-039-PN01, 45716-037-PN01,
45717-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the level of effort - maintenance of effort (MOE) requirements.

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

The School Corporation was required to calculate MOE through the compliance standard calculation prescribed by the Indiana Department of Education. The School Corporation did not provide adequate supporting documentation to determine whether the MOE compliance standard was met during the 2015-2016 school year.

Context

The lack of controls and the failure to provide adequate supporting documentation regarding compliance with MOE requirements were applicable to the 2015-2016 school year.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

34 CFR 300.203(b) states in part:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;

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

- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that adequate supporting documentation supporting the School Corporation's compliance with the level of effort - MOE requirements was available for audit for both years of the audit period.

Effect

The failure to establish an effective internal control system prevented the determination of the School Corporation's compliance with the level of effort - MOE requirements for the 2015-2016 school year.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that supporting documentation will be available regarding the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-005

Subject: Special Education Cluster (IDEA) - Internal Controls

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027. 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 14217-037-PN01,
45715-039-PN01, 45716-037-PN01,
45717-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the reimbursement requests were accurately prepared. Reimbursement requests were prepared and submitted by the Treasurer. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Period of Performance

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-039-PN01, 14215-037-PN01,
14215-039-PN01, 99914-039-TA01,
14216-037-PN01, 45715-039-PN01,
45716-037-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior year finding number was 2015-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Special education grants included a period of performance that required any expenses to be formally obligated by September 30 and liquidated by December 31. Two of four claims examined that were liquidated between September 30 and December 31, 2015, were not obligated prior to September 30, 2015.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the 14214-039-PN01 award in the 2015-2016 school year.

Criteria

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

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Period of Performance compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Period of Performance compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2017-007

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 16-5925, 17-5925
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not comply with the requirement that students removed from the high school cohort graduation rate for mobility reasons have written documentation to support the students' removal from the cohort.

Context

The lack of controls and noncompliance were systemic issues during the 2016-2017 school year only.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.19(b) states in part:

"High schools-

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

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

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Metropolitan School District of Martinsville

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Board of Education

***Dave Rinehart, President
Debbie Lipps, Vice President
Steve Brock, Secretary
Michelle Baugh
Tana Lobb***

Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters***

Metropolitan School District of Martinsville Summary Schedule of Prior Audit Findings

Finding 2015-001

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Whitney Teeters
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the finding on preparation of the Schedule of Expenditures of Federal Awards. The District Treasurer prepares the SEFA report and submits to the Superintendent for review for approval.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Finding 2015-002

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Whitney Teeters
Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the finding over cash and investments. The monthly bank reconciliements are completed by the District Treasurer and are reviewed by the Deputy Treasurer and the Superintendent. These internal controls were in use during the 2015-2017 audit period and are continued to be used monthly.

This finding was corrected beginning in October 2016.

Finding 2015-003

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the Special Education Cluster and Improving Teacher Quality State Grants. The District Treasurer prepares all federal grant reimbursements and includes all supporting documentation showing actual funds requested for reimbursement. The reimbursement request is signed by the grant director before being submitted for reimbursement.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Finding 2015-004

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal Controls have been implemented in regards to the Special Education Cluster and Improving Teacher Quality State Grants. The District Treasurer prepares the financial reports used in the calculation for Maintenance of Effort for the Special Education Director. The Director completes the worksheet and files all supporting documents for future audits.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Finding 2015-005

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to the Improving Teacher Quality State Grants allowable costs/cost principles. The Director is responsible for completing all Semi-Annual Certifications for employees who are paid entirely from the grant for each audit period.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Finding 2015-006

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented pertaining to the finding over Child Nutrition Cluster. The Food Service Support Specialist verifies and prints the USDA Income Eligibility Guidelines for the program year entered into the software. The Food Service Director will review and sign the report compiled by the Food Service Business Specialist. The Food Service Director will verify and sign the Verification of Free/Reduced Applications to establish evidence of review.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Finding 2015-007

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Status of Audit Finding:

Internal controls have been implemented in regards to Child Nutrition Cluster and the Procurement Standards. The MSD of Martinsville follows procurement standards as set forth in the Indiana Code. The Food Service Director makes a request to the Board of Trustees to make a motion to advertise bids. Once the bids are opened and reviewed, the Director will make a recommendation and ask for approval of bids, as set forth in bid documentation. In addition, as outlined in Indiana Code, the MSD of Martinsville Board of Trustees could make a motion to approve any and all Food Service bids that have been awarded by the state sponsored Education Service Center.

This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

X Whitney Teeters
(Signature)

X District Treasurer
(Title)

X 11-30-2018
(Date)

Metropolitan School District of Martinsville

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Debbie Lipps, Vice President
Steve Brock, Secretary
Michelle Baugh
Tana Lobb***

Superintendent

***Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters***

CORRECTIVE ACTION PLAN

Finding 2017-001

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the preparation of the Schedule of Expenditures of Federal Awards for the Food Service Department, the following steps will be followed for internal control.

The District Treasurer will contact the Food Service Director and request that the Food Service Department report all Federal Awards pertaining to the CFDA Numbers for Child Nutrition Programs. The Director will work with the Food Service Business Specialist to calculate all Federal Awards pertaining to the National School Breakfast, National School Lunch, Summer Food Service and Food Service Distribution programs. The amounts will be verified by the Director and presented to the District Treasurer to be reported on the SEFA report for each calendar year. Both the Director and the Treasurer, as well as the Superintendent, will all sign off on the SEFA before submission into the Gateway.

In regards to the finding pertaining to the Preparation of the Schedule of Expenditures of Federal Awards for the remaining grants, the following steps will be followed for internal control.

The District Treasurer will contact the Grant Director and request the report for all Federal Awards for each calendar year. The Treasurer will verify all award amounts for the SEFA report. The District Treasurer will prepare the SEFA report and will submit to the Superintendent for review for approval.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Lutz
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Treasurer
Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-002

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Child Nutrition Cluster, the following step will be followed for internal control.

The Food Service Support Specialist will verify and print the USDA Income Eligibility Guidelines for the Program Year that is entered into the software. In addition, starting with the 2017-2018 school year, the Food Service Director will manually calculate 3% of all submitted applications. In regards to reporting, the report is compiled by the Food Service Support Specialist. The Food Service Director will review, print and sign the supporting documents. The Food Service Director will also verify and sign the Verification of Free/Reduced Applications to establish evidence of review.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Superintendent

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Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-003

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Child Nutrition Cluster- Procurement, the following step will be followed for internal control.

The MSD of Martinsville follows the procurement standards set forth in Indiana Code. The Food Service Director will make a request to the Board of Trustees to make a motion to advertise bids. Once the bids are opened and reviewed, the Director will make a recommendation and ask for approval of bids as set forth in the bid documentation. In addition, as outlined in Indiana Code, the MSD of Martinsville Board of Trustees could make a motion to approve any and all Food Service bids that have been awarded by the State sponsored Indiana Education Service Center.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Superintendent

*Dr. Michele Moore
Assistant Superintendent
Dr. Terry Terhune
Treasurer
Whitney Teeters*

CORRECTIVE ACTION PLAN

Finding 2017-004

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to Internal Controls over Special Education Cluster – Level of Effort, Maintenance of Effort, the following step will be followed for internal control.

The District Treasurer will prepare the financial reports used for calculating the Maintenance of Effort worksheet for the Special Education Director. The Director will complete the worksheet and will file all supporting documents for future audits.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Treasurer
Whitney Teeters

CORRECTIVE ACTION PLAN

Finding 2017-005

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Internal Controls over the Special Education Cluster, the following step will be followed for internal control.

The District Treasurer will prepare all federal grant reimbursement forms and will include all documents supporting actual funds requested for reimbursements. All forms will be filed in their respective grant folders. The actual reimbursement request will be approved by the Director of the grant with their signature before submission of the form. The District Treasurer will serve as the secondary approver and will sign the reimbursement request as well.

Anticipated Completion Date: This finding was corrected in November 2017 after the 2013-2015 SBOA audit report was filed.

Whitney Teeters
(Signature)

District Treasurer
(Title)

11-30-2018
(Date)

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Dr. Terry Terhune
Treasurer
Whitney Teeters*

CORRECTIVE ACTION PLAN

Finding 2017-006

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

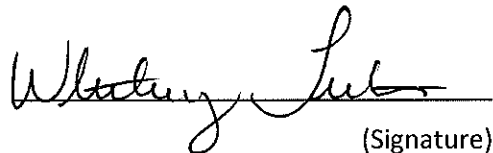
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Special Education Cluster and the period of performance, the following action will be followed for internal control.

A list of all encumbrance deadlines has been given to the Director of Special Education as well as the Secretary of Special Education. When creating vouchers for payment, the Secretary must first reference the deadlines. All special education items are verified by the Special Education Director before being presented to the District Treasurer.

Anticipated Completion Date: November 30, 2018


(Signature)

District Treasurer
(Title)

11-26-2018
(Date)

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CORRECTIVE ACTION PLAN

Finding 2017-007

Contact Person Responsible for Corrective Action: Whitney Teeters

Contact Phone Number: 765-342-6641 ext. 1003

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In regards to findings pertaining to the Title I Grants Special Tests and Provisions – Annual Report Card and High School Graduation Rate, the following steps will be followed for internal control.

All files pertaining to students will be kept at the Martinsville High School. Adequate notes will be kept when students are withdrawn along with the reasoning behind them withdrawing mobility. There will be twice monthly discussions between counselors and the High School Principal regarding mobility of students. Martinsville High School will work to file and retain the appropriate documentation for all mobile students. If a parent does not sign off on a students withdraw, a certified letter will be sent to the home and copies of the letter and certified mail slip will be retained in the students file.

Anticipated Completion Date: November 30, 2018



(Signature)

District Treasurer

(Title)

11-26-2018

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.