

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

MADISON CONSOLIDATED SCHOOLS  
JEFFERSON COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
07/15/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Charlene O'Connell (Vacant) Danica Houze	07-01-12 to 08-15-13 08-16-13 to 08-19-13 08-20-13 to 12-31-16
Superintendent of Schools	Dr. Ginger Studebaker-Bolinger	07-01-12 to 06-30-18
President of the School Board	Carl G. Schaum Todd S. Bass Joyce Imel	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-16



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

TO: THE OFFICIALS OF THE MADISON CONSOLIDATED SCHOOLS, JEFFERSON COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Madison Consolidated Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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 of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2012 to June 30, 2014.

***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, 2012 to June 30, 2014, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 April 14, 2016, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

April 14, 2016



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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 MADISON CONSOLIDATED SCHOOLS, JEFFERSON 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 Madison Consolidated Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated April 14, 2016, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.



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

**Compliance and Other Matters**

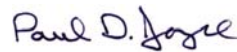
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002.

**Madison Consolidated Schools' 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

April 14, 2016

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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.

MADISON CONSOLIDATED SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 3,331,420	\$ 20,262,348	\$ 18,956,250	\$ 44,970	\$ 4,682,488	\$ 19,710,483	\$ 17,136,058	\$ (959,485)	\$ 6,297,428
Debt Service	1,348,640	3,386,155	3,073,450	-	1,661,345	3,350,942	3,524,667	-	1,487,620
Retirement/Severance Bond Debt Service	680,908	1,356,867	1,401,758	-	636,017	941,615	1,400,950	-	176,682
Capital Projects	2,220,645	2,560,679	2,795,758	-	1,985,566	2,790,451	2,010,336	-	2,765,681
School Transportation	329,295	1,571,310	1,650,438	-	250,167	1,620,519	1,520,617	-	350,069
School Bus Replacement	14,375	205,894	-	-	220,269	381,850	251,840	-	350,279
Rainy Day	178,000	-	-	-	178,000	-	-	1,000,000	1,178,000
Retirement/Severance Bond	208,559	2,042	210,601	-	-	-	-	-	-
Construction	21,035	-	783	-	20,252	-	-	-	20,252
Lydia Middleton Construction	38,120	-	-	(38,120)	-	-	-	-	-
JR High Pool Construction	-	-	409,861	1,993,195	1,583,334	-	1,426,975	-	156,359
School Lunch	1,549,331	1,489,904	1,153,899	-	1,885,336	1,327,614	1,166,443	-	2,046,507
Textbook Rental	159,982	425,841	531,566	-	54,257	326,919	664,578	-	(283,402)
Child Care Program	-	86,401	76,246	-	10,155	107,086	135,456	-	(18,215)
Educational License Plates	113	169	282	-	-	-	-	-	-
Alternative Education	5,000	-	-	-	5,000	8,100	-	-	13,100
Safe Haven Grant	-	-	8,334	-	(8,334)	15,334	7,000	-	-
Employee Recogn/ Learning Place	29,064	15,000	10,844	-	33,220	15,000	16,220	-	32,000
Reading Recovery Site Training	1,394	-	-	-	1,394	-	-	-	1,394
Instruction Support	14,880	20,442	19,205	-	16,117	6,871	10,070	-	12,918
Breakfast & Lunch Ass't	-	-	-	-	-	80	-	-	80
ECO15-MJHS-Proj Col/Video Conf	14,700	-	14,700	-	-	-	-	-	-
ECO15 PLTW 2013-2014 Biomedical	-	24,164	-	-	24,164	-	13,667	-	10,497
College & Career Readiness Grant	-	-	-	-	-	10,000	4,569	-	5,431
Pioneer Hi-Bred Grant	-	-	-	-	-	2,500	2,500	-	-
Scholarships and Awards	38,345	1,487	1,625	-	38,207	190	1,650	-	36,747
Miscellaneous Programs	11,638	4,634	12,500	-	3,772	-	-	-	3,772
Educ Foundation 2011	201	-	201	-	-	-	-	-	-
Education Foundation 2012	5,162	201	5,363	-	-	-	-	-	-
Education Foundation 2013/2014	-	13,500	5,358	-	8,142	16,500	14,887	-	9,755
GED	1,269	4,300	5,440	-	129	-	32	-	97
Cub Field Renovation Donation	962	-	-	-	962	-	-	-	962
Employee Benefit Fund	2,680,263	2,528,917	2,056,665	(364,492)	2,788,023	1,797,099	1,969,630	-	2,615,492

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

MADISON CONSOLIDATED SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2013 and 2014  
(Continued)

Fund	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
Insurance Fund	488,799	21,799	800,774	364,492	74,316	2,709	-	-	77,025
Deaf/Blind Instructional Fund	(2,405)	-	(2,405)	-	-	-	-	-	-
4-Community Grant	357	-	-	-	357	-	-	-	357
CAPE Community Foundation Grant	3,065	-	3,065	-	-	-	-	-	-
Driver's Education	16,030	50,163	35,796	-	30,397	45,975	27,847	-	48,525
Extra-Curricular Activities	-	3,999	6,971	-	(2,972)	4,241	1,825	-	(556)
Non-English Speaking Program EOM 2011/2012	53	-	53	-	-	-	-	-	-
Non-English Speaking Program 2012-13	-	5,939	5,914	-	25	-	25	-	-
NESP-NonEnglish Speaking 13/14	-	-	-	-	-	5,089	89	-	5,000
School Technology	634	-	634	-	-	-	-	-	-
State Connectivity GT 2012-13	-	4,317	2,796	-	1,521	-	6,084	-	(4,563)
State Connectivity Grant 13-14	-	-	-	-	-	4,313	-	-	4,313
Technology Plan Buddy	2,030	-	-	-	2,030	-	-	-	2,030
Performance Based Awards	1,234	-	-	-	1,234	-	-	-	1,234
Innovative School Improvement Grant	-	15,000	78,049	-	(63,049)	261,837	198,788	-	-
Senator David Ford Technology	277	41,675	42,900	-	(948)	104,388	123,938	-	(20,498)
Elearning Admin Academy Grant	-	1,485	614	-	871	-	238	-	633
Title I Part A 2011/2012	(68,611)	187,599	118,988	-	-	-	-	-	-
Title I 12-13	-	477,003	530,048	-	(53,045)	151,193	98,148	-	-
Title I 2013-14	-	-	-	-	-	481,939	553,157	-	(71,218)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	18,550	-	(18,550)	68,505	49,955	-	-
Title II, Part A 11/12	(6,419)	121,646	121,866	-	(6,639)	25,276	18,637	-	-
Title II, Part A 12/13	-	20,532	28,036	-	(7,504)	66,572	92,799	-	(33,731)
Title II, Part A 13/14	-	-	-	-	-	-	29,562	-	(29,562)
ITQ, Enhanced Education Through Technology, Title II, Part D	(31,415)	68,310	36,895	-	-	-	-	-	-
Title III Consortium 2012/13	-	10,302	10,302	-	-	410	410	-	-
Title III Consortium 2013/14	-	-	-	-	-	-	5,762	-	(5,762)
Payroll Clearing	-	4,928,692	4,928,692	-	-	4,637,989	4,579,734	-	58,255
Prepaid Food	-	6,743	-	-	6,743	669	-	-	7,412
Education Jobs	(54,587)	161,778	107,191	-	-	-	-	-	-
Totals	<u>\$ 13,232,343</u>	<u>\$ 40,087,237</u>	<u>\$ 39,276,856</u>	<u>\$ 2,000,045</u>	<u>\$ 16,042,769</u>	<u>\$ 38,290,258</u>	<u>\$ 37,065,143</u>	<u>\$ 40,515</u>	<u>\$ 17,308,399</u>

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

MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

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

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

MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

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

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

MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

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



MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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.

MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

***B. Teachers' Retirement Fund***

*Plan Description*

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

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

Indiana Public Retirement System  
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. Negative Receipts and Disbursements***

The financial statement contains some disbursements which appear as negative entries. This is a result of the School Corporation correcting payroll disbursements posted in the prior period to the incorrect fund.

***Note 8. Cash Balance Deficits***

The financial statement contains some funds with deficits in cash. This is primarily a result of funds being set up for reimbursable grants, with the reimbursements for expenditures made by the School Corporation not being received by June 30. Additionally, the Textbook Rental fund has not yet received all anticipated collections from students and other revenue sources to fully support the expenditures made. The Child Care Program fund is supplemented by the General fund.

MADISON CONSOLIDATED SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

A supplement payment from the General fund was not made timely. The Extra-Curricular Activities fund is used as a clearing account for payroll payments to employees for extra-curricular duties and is reimbursed by the extra-curricular. A reimbursement payment to the School Corporation from the extra-curricular was not made timely. The deficits to these funds as of June 30 exist as a result of differences between the accrual basis and the cash basis of accounting required to be utilized by the School Corporation.

**Note 9. Holding Corporations**

The School Corporation has entered into a capital lease with Madison Consolidated 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 school years ended June 30, 2013 and 2014 totaled \$1,207,758 and \$1,709,000, respectively.

The School Corporation has entered into two capital leases with Lydia Middleton 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 school years ended June 30, 2013 and 2014 totaled \$1,764,000 and \$1,761,500, respectively.

**Note 10. Subsequent Event**

On November 17, 2015, the School Corporation issued general obligation bonds in the amount of \$4,000,000 to remodel the high school and perform district upgrades to safety, security, and other updates in the remaining school buildings.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office. Additionally, some financial information of the School Corporation can be found on the Gateway 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 Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 3,331,420	\$ 1,348,640	\$ 680,908	\$ 2,220,645	\$ 329,295	\$ 14,375	\$ 178,000	\$ 208,559
Receipts:								
Local sources	258,445	3,386,155	1,356,867	2,529,878	1,557,260	205,894	-	-
Intermediate sources	47	-	-	-	-	-	-	-
State sources	19,733,206	-	-	-	-	-	-	-
Federal sources	230,479	-	-	-	-	-	-	-
Other	40,171	-	-	30,801	14,050	-	-	2,042
Total receipts	20,262,348	3,386,155	1,356,867	2,560,679	1,571,310	205,894	-	2,042
Disbursements:								
Current:								
Instruction	14,131,224	-	-	-	-	-	-	-
Support services	4,631,252	-	-	1,698,943	1,650,438	-	-	210,601
Noninstructional services	193,774	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,096,815	-	-	-	-
Debt services	-	3,073,450	1,401,758	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	18,956,250	3,073,450	1,401,758	2,795,758	1,650,438	-	-	210,601
Excess (deficiency) of receipts over disbursements	1,306,098	312,705	(44,891)	(235,079)	(79,128)	205,894	-	(208,559)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	6,850	-	-	-	-	-	-	-
Transfers in	38,120	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	44,970	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,351,068	312,705	(44,891)	(235,079)	(79,128)	205,894	-	(208,559)
Cash and investments - ending	\$ 4,682,488	\$ 1,661,345	\$ 636,017	\$ 1,985,566	\$ 250,167	\$ 220,269	\$ 178,000	\$ -

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Construction	Lydia Middleton Construction	JR High Pool Construction	School Lunch	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 21,035	\$ 38,120	\$ -	\$ 1,549,331	\$ 159,982	\$ -	\$ 113	\$ 5,000
Receipts:								
Local sources	-	-	-	552,121	299,500	86,273	-	-
Intermediate sources	-	-	-	-	-	-	169	-
State sources	-	-	-	11,944	120,333	-	-	-
Federal sources	-	-	-	919,791	-	-	-	-
Other	-	-	-	6,048	6,008	128	-	-
Total receipts	-	-	-	1,489,904	425,841	86,401	169	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	282	-
Support services	-	-	-	5,276	531,566	-	-	-
Noninstructional services	-	-	-	1,148,623	-	76,246	-	-
Facilities acquisition and construction	783	-	409,861	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	783	-	409,861	1,153,899	531,566	76,246	282	-
Excess (deficiency) of receipts over disbursements	(783)	-	(409,861)	336,005	(105,725)	10,155	(113)	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	1,993,195	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	(38,120)	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(38,120)	1,993,195	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(783)	(38,120)	1,583,334	336,005	(105,725)	10,155	(113)	-
Cash and investments - ending	\$ 20,252	\$ -	\$ 1,583,334	\$ 1,885,336	\$ 54,257	\$ 10,155	\$ -	\$ 5,000

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Safe Haven Grant	Employee Recogn/ Learning Place	Reading Recovery Site Training	Instruction Support	Breakfast & Lunch Ass't	ECO15-MJHS-Proj Col/Video Conf	ECO15 PLTW 2013-2014 Biomedical	College & Career Readiness Grant
Cash and investments - beginning	\$ -	\$ 29,064	\$ 1,394	\$ 14,880	\$ -	\$ 14,700	\$ -	\$ -
Receipts:								
Local sources	-	15,000	-	20,442	-	-	24,164	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	15,000	-	20,442	-	-	24,164	-
Disbursements:								
Current:								
Instruction	8,334	-	-	5,500	-	-	-	-
Support services	-	10,844	-	13,705	-	14,700	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	8,334	10,844	-	19,205	-	14,700	-	-
Excess (deficiency) of receipts over disbursements	(8,334)	4,156	-	1,237	-	(14,700)	24,164	-
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	(8,334)	4,156	-	1,237	-	(14,700)	24,164	-
Cash and investments - ending	\$ (8,334)	\$ 33,220	\$ 1,394	\$ 16,117	\$ -	\$ -	\$ 24,164	\$ -



MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Pioneer Hi-Bred Grant	Scholarships and Awards	Miscellaneous Programs	Educ Foundation 2011	Education Foundation 2012	Education Foundation 2013/2014	GED	Cub Field Renovation Donation
Cash and investments - beginning	\$ -	\$ 38,345	\$ 11,638	\$ 201	\$ 5,162	\$ -	\$ 1,269	\$ 962
Receipts:								
Local sources	-	1,487	4,634	-	201	13,500	4,300	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	1,487	4,634	-	201	13,500	4,300	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	12,500	-	-	-	5,440	-
Noninstructional services	-	-	-	201	5,363	5,358	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,625	-	-	-	-	-	-
Total disbursements	-	1,625	12,500	201	5,363	5,358	5,440	-
Excess (deficiency) of receipts over disbursements	-	(138)	(7,866)	(201)	(5,162)	8,142	(1,140)	-
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	-	(138)	(7,866)	(201)	(5,162)	8,142	(1,140)	-
Cash and investments - ending	\$ -	\$ 38,207	\$ 3,772	\$ -	\$ -	\$ 8,142	\$ 129	\$ 962

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Employee Benefit Fund	Insurance Fund	Deaf/Blind Instructional Fund	4-Community Grant	CAPE Community Foundation Grant	Driver's Education	Extra- Curricular Activities	Non-English Speaking Program EOM 2011/2012
Cash and investments - beginning	\$ 2,680,263	\$ 488,799	\$ (2,405)	\$ 357	\$ 3,065	\$ 16,030	\$ -	\$ 53
Receipts:								
Local sources	-	-	-	-	-	50,163	3,999	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	2,528,917	21,799	-	-	-	-	-	-
Total receipts	2,528,917	21,799	-	-	-	50,163	3,999	-
Disbursements:								
Current:								
Instruction	-	-	-	-	3,065	-	-	53
Support services	819,417	-	(2,405)	-	-	-	-	-
Noninstructional services	-	-	-	-	-	35,796	6,971	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,237,248	800,774	-	-	-	-	-	-
Total disbursements	2,056,665	800,774	(2,405)	-	3,065	35,796	6,971	53
Excess (deficiency) of receipts over disbursements	472,252	(778,975)	2,405	-	(3,065)	14,367	(2,972)	(53)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	364,492	-	-	-	-	-	-
Transfers out	(364,492)	-	-	-	-	-	-	-
Total other financing sources (uses)	(364,492)	364,492	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	107,760	(414,483)	2,405	-	(3,065)	14,367	(2,972)	(53)
Cash and investments - ending	\$ 2,788,023	\$ 74,316	\$ -	\$ 357	\$ -	\$ 30,397	\$ (2,972)	\$ -

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Non-English Speaking Program 2012-13	NESP-NonEnglish Speaking 13/14	School Technology	State Connectivity GT 2012-13	State Connectivity Grant 13-14	Technology Plan Buddy	Performance Based Awards	Innovative School Improvement Grant
Cash and investments - beginning	\$ -	\$ -	\$ 634	\$ -	\$ -	\$ 2,030	\$ 1,234	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	5,939	-	-	4,317	-	-	-	15,000
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	5,939	-	-	4,317	-	-	-	15,000
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	5,839	-	634	2,796	-	-	-	78,049
Noninstructional services	75	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,914	-	634	2,796	-	-	-	78,049
Excess (deficiency) of receipts over disbursements	25	-	(634)	1,521	-	-	-	(63,049)
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	25	-	(634)	1,521	-	-	-	(63,049)
Cash and investments - ending	\$ 25	\$ -	\$ -	\$ 1,521	\$ -	\$ 2,030	\$ 1,234	\$ (63,049)

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Senator David Ford Technology	Elearning Admin Academy Grant	Title I Part A 2011/2012	Title I 12-13	Title I 2013-14	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title II, Part A 11/12	Title II, Part A 12/13
Cash and investments - beginning	\$ 277	\$ -	\$ (68,611)	\$ -	\$ -	\$ -	\$ (6,419)	\$ -
Receipts:								
Local sources	-	1,485	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	41,675	-	-	-	-	-	-	-
Federal sources	-	-	187,599	477,003	-	-	121,646	20,532
Other	-	-	-	-	-	-	-	-
Total receipts	41,675	1,485	187,599	477,003	-	-	121,646	20,532
Disbursements:								
Current:								
Instruction	-	-	82,532	372,008	-	18,550	77,993	15,532
Support services	42,900	614	35,971	154,730	-	-	43,873	12,504
Noninstructional services	-	-	485	3,310	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	42,900	614	118,988	530,048	-	18,550	121,866	28,036
Excess (deficiency) of receipts over disbursements	(1,225)	871	68,611	(53,045)	-	(18,550)	(220)	(7,504)
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	(1,225)	871	68,611	(53,045)	-	(18,550)	(220)	(7,504)
Cash and investments - ending	\$ (948)	\$ 871	\$ -	\$ (53,045)	\$ -	\$ (18,550)	\$ (6,639)	\$ (7,504)

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2013  
(Continued)

	Title II, Part A 13/14	ITQ, Enhanced Education Through Technology, Title II, Part D	Title III Consortium 2012/13	Title III Consortium 2013/14	Payroll Clearing	Prepaid Food	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ (31,415)	\$ -	\$ -	\$ -	\$ -	\$ (54,587)	\$ 13,232,343
Receipts:								
Local sources	-	-	10,302	-	-	-	-	10,382,070
Intermediate sources	-	-	-	-	-	-	-	216
State sources	-	-	-	-	-	-	-	19,932,414
Federal sources	-	68,310	-	-	-	-	161,778	2,187,138
Other	-	-	-	-	4,928,692	6,743	-	7,585,399
Total receipts	-	68,310	10,302	-	4,928,692	6,743	161,778	40,087,237
Disbursements:								
Current:								
Instruction	-	-	10,302	-	-	-	107,191	14,832,566
Support services	-	36,895	-	-	-	-	-	10,017,082
Noninstructional services	-	-	-	-	-	-	-	1,476,202
Facilities acquisition and construction	-	-	-	-	-	-	-	1,507,459
Debt services	-	-	-	-	-	-	-	4,475,208
Nonprogrammed charges	-	-	-	-	4,928,692	-	-	6,968,339
Total disbursements	-	36,895	10,302	-	4,928,692	-	107,191	39,276,856
Excess (deficiency) of receipts over disbursements	-	31,415	-	-	-	6,743	54,587	810,381
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,993,195
Sale of capital assets	-	-	-	-	-	-	-	6,850
Transfers in	-	-	-	-	-	-	-	364,492
Transfers out	-	-	-	-	-	-	-	(364,492)
Total other financing sources (uses)	-	-	-	-	-	-	-	2,000,045
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	31,415	-	-	-	6,743	54,587	2,810,426
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,743	\$ -	\$ 16,042,769

MADISON CONSOLIDATED SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 4,682,488	\$ 1,661,345	\$ 636,017	\$ 1,985,566	\$ 250,167	\$ 220,269	\$ 178,000	\$ -
Receipts:								
Local sources	245,629	3,304,845	941,615	2,790,451	1,619,111	381,850	-	-
Intermediate sources	104	-	-	-	-	-	-	-
State sources	19,382,067	-	-	-	-	-	-	-
Federal sources	69,732	-	-	-	-	-	-	-
Other	12,951	46,097	-	-	1,408	-	-	-
Total receipts	19,710,483	3,350,942	941,615	2,790,451	1,620,519	381,850	-	-
Disbursements:								
Current:								
Instruction	12,053,442	-	-	-	-	-	-	-
Support services	4,888,812	-	-	1,590,596	1,520,617	251,840	-	-
Noninstructional services	193,804	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	419,740	-	-	-	-
Debt services	-	3,524,667	1,400,950	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	17,136,058	3,524,667	1,400,950	2,010,336	1,520,617	251,840	-	-
Excess (deficiency) of receipts over disbursements	2,574,425	(173,725)	(459,335)	780,115	99,902	130,010	-	-
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	40,515	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	1,000,000	-
Transfers out	(1,000,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	(959,485)	-	-	-	-	-	1,000,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,614,940	(173,725)	(459,335)	780,115	99,902	130,010	1,000,000	-
Cash and investments - ending	\$ 6,297,428	\$ 1,487,620	\$ 176,682	\$ 2,765,681	\$ 350,069	\$ 350,279	\$ 1,178,000	\$ -

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Construction	Lydia Middleton Construction	JR High Pool Construction	School Lunch	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education
Cash and investments - beginning	\$ 20,252	\$ -	\$ 1,583,334	\$ 1,885,336	\$ 54,257	\$ 10,155	\$ -	\$ 5,000
Receipts:								
Local sources	-	-	-	529,898	201,763	106,922	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	9,919	124,775	-	-	8,100
Federal sources	-	-	-	782,197	-	-	-	-
Other	-	-	-	5,600	381	164	-	-
Total receipts	-	-	-	1,327,614	326,919	107,086	-	8,100
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	5,712	664,578	3,983	-	-
Noninstructional services	-	-	-	1,160,731	-	131,473	-	-
Facilities acquisition and construction	-	-	1,426,975	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,426,975	1,166,443	664,578	135,456	-	-
Excess (deficiency) of receipts over disbursements	-	-	(1,426,975)	161,171	(337,659)	(28,370)	-	8,100
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	-	-	(1,426,975)	161,171	(337,659)	(28,370)	-	8,100
Cash and investments - ending	\$ 20,252	\$ -	\$ 156,359	\$ 2,046,507	\$ (283,402)	\$ (18,215)	\$ -	\$ 13,100

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Safe Haven Grant	Employee Recogn/ Learning Place	Reading Recovery Site Training	Instruction Support	Breakfast & Lunch Ass't	ECO15-MJHS-Proj Col/Video Conf	ECO15 PLTW 2013-2014 Biomedical	College & Career Readiness Grant
Cash and investments - beginning	\$ (8,334)	\$ 33,220	\$ 1,394	\$ 16,117	\$ -	\$ -	\$ 24,164	\$ -
Receipts:								
Local sources	-	15,000	-	6,871	80	-	-	10,000
Intermediate sources	-	-	-	-	-	-	-	-
State sources	15,334	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	15,334	15,000	-	6,871	80	-	-	10,000
Disbursements:								
Current:								
Instruction	7,000	-	-	5,365	-	-	13,667	-
Support services	-	16,220	-	4,705	-	-	-	4,569
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,000	16,220	-	10,070	-	-	13,667	4,569
Excess (deficiency) of receipts over disbursements	8,334	(1,220)	-	(3,199)	80	-	(13,667)	5,431
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	8,334	(1,220)	-	(3,199)	80	-	(13,667)	5,431
Cash and investments - ending	\$ -	\$ 32,000	\$ 1,394	\$ 12,918	\$ 80	\$ -	\$ 10,497	\$ 5,431



MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Pioneer Hi-Bred Grant	Scholarships and Awards	Miscellaneous Programs	Educ Foundation 2011	Education Foundation 2012	Education Foundation 2013/2014	GED	Cub Field Renovation Donation
Cash and investments - beginning	\$ -	\$ 38,207	\$ 3,772	\$ -	\$ -	\$ 8,142	\$ 129	\$ 962
Receipts:								
Local sources	2,500	190	-	-	-	16,500	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	2,500	190	-	-	-	16,500	-	-
Disbursements:								
Current:								
Instruction	2,500	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	32	-
Noninstructional services	-	-	-	-	-	14,887	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,650	-	-	-	-	-	-
Total disbursements	2,500	1,650	-	-	-	14,887	32	-
Excess (deficiency) of receipts over disbursements	-	(1,460)	-	-	-	1,613	(32)	-
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	-	(1,460)	-	-	-	1,613	(32)	-
Cash and investments - ending	\$ -	\$ 36,747	\$ 3,772	\$ -	\$ -	\$ 9,755	\$ 97	\$ 962

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Employee Benefit Fund	Insurance Fund	Deaf/Blind Instructional Fund	4-Community Grant	CAPE Community Foundation Grant	Driver's Education	Extra- Curricular Activities	Non-English Speaking Program EOM 2011/2012
Cash and investments - beginning	\$ 2,788,023	\$ 74,316	\$ -	\$ 357	\$ -	\$ 30,397	\$ (2,972)	\$ -
Receipts:								
Local sources	-	-	-	-	-	45,975	4,241	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	1,797,099	2,709	-	-	-	-	-	-
Total receipts	1,797,099	2,709	-	-	-	45,975	4,241	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	8,968	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	27,847	1,825	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,960,662	-	-	-	-	-	-	-
Total disbursements	1,969,630	-	-	-	-	27,847	1,825	-
Excess (deficiency) of receipts over disbursements	(172,531)	2,709	-	-	-	18,128	2,416	-
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	(172,531)	2,709	-	-	-	18,128	2,416	-
Cash and investments - ending	\$ 2,615,492	\$ 77,025	\$ -	\$ 357	\$ -	\$ 48,525	\$ (556)	\$ -

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Non-English Speaking Program 2012-13	NESP-NonEnglish Speaking 13/14	School Technology	State Connectivity GT 2012-13	State Connectivity Grant 13-14	Technology Plan Buddy	Performance Based Awards	Innovative School Improvement Grant
Cash and investments - beginning	\$ 25	\$ -	\$ -	\$ 1,521	\$ -	\$ 2,030	\$ 1,234	\$ (63,049)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	5,089	-	-	4,313	-	-	261,837
Federal sources	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	5,089	-	-	4,313	-	-	261,837
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	6,084	-	-	-	198,788
Noninstructional services	25	89	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	25	89	-	6,084	-	-	-	198,788
Excess (deficiency) of receipts over disbursements	(25)	5,000	-	(6,084)	4,313	-	-	63,049
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	(25)	5,000	-	(6,084)	4,313	-	-	63,049
Cash and investments - ending	\$ -	\$ 5,000	\$ -	\$ (4,563)	\$ 4,313	\$ 2,030	\$ 1,234	\$ -

MADISON CONSOLIDATED SCHOOLS  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended June 30, 2014  
(Continued)

	Senator David Ford Technology	Elearning Admin Academy Grant	Title I Part A 2011/2012	Title I 12-13	Title I 2013-14	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title II, Part A 11/12	Title II, Part A 12/13
Cash and investments - beginning	\$ (948)	\$ 871	\$ -	\$ (53,045)	\$ -	\$ (18,550)	\$ (6,639)	\$ (7,504)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	104,388	-	-	-	-	-	-	-
Federal sources	-	-	-	151,193	481,939	68,505	25,276	66,572
Other	-	-	-	-	-	-	-	-
Total receipts	104,388	-	-	151,193	481,939	68,505	25,276	66,572
Disbursements:								
Current:								
Instruction	-	-	-	73,247	409,022	49,955	18,298	66,019
Support services	123,938	238	-	23,664	130,735	-	339	26,780
Noninstructional services	-	-	-	1,237	13,400	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	123,938	238	-	98,148	553,157	49,955	18,637	92,799
Excess (deficiency) of receipts over disbursements	(19,550)	(238)	-	53,045	(71,218)	18,550	6,639	(26,227)
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	(19,550)	(238)	-	53,045	(71,218)	18,550	6,639	(26,227)
Cash and investments - ending	\$ (20,498)	\$ 633	\$ -	\$ -	\$ (71,218)	\$ -	\$ -	\$ (33,731)

MADISON CONSOLIDATED SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Title II, Part A 13/14	ITQ, Enhanced Education Through Technology, Title II, Part D	Title III Consortium 2012/13	Title III Consortium 2013/14	Payroll Clearing	Prepaid Food	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,743	\$ -	\$ 16,042,769
Receipts:								
Local sources	-	-	410	-	-	-	-	10,223,851
Intermediate sources	-	-	-	-	-	-	-	104
State sources	-	-	-	-	-	-	-	19,915,822
Federal sources	-	-	-	-	-	-	-	1,645,414
Other	-	-	-	-	4,637,989	669	-	6,505,067
Total receipts	-	-	410	-	4,637,989	669	-	38,290,258
Disbursements:								
Current:								
Instruction	-	-	410	5,762	-	-	-	12,704,687
Support services	29,562	-	-	-	-	-	-	9,500,760
Noninstructional services	-	-	-	-	-	-	-	1,545,318
Facilities acquisition and construction	-	-	-	-	-	-	-	1,846,715
Debt services	-	-	-	-	-	-	-	4,925,617
Nonprogrammed charges	-	-	-	-	4,579,734	-	-	6,542,046
Total disbursements	29,562	-	410	5,762	4,579,734	-	-	37,065,143
Excess (deficiency) of receipts over disbursements	(29,562)	-	-	(5,762)	58,255	669	-	1,225,115
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	40,515
Transfers in	-	-	-	-	-	-	-	1,000,000
Transfers out	-	-	-	-	-	-	-	(1,000,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	40,515
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,562)	-	-	(5,762)	58,255	669	-	1,265,630
Cash and investments - ending	\$ (29,562)	\$ -	\$ -	\$ (5,762)	\$ 58,255	\$ 7,412	\$ -	\$ 17,308,399

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MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 746,273</u>	<u>\$ 5,280</u>

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Madison Consolidated School Building Corporation	Qualified School Construction Bonds, Series 2011	\$ 1,005,500	7/15/2011	1/15/2016
Lydia Middleton School Building Corporation	Refunding Bonds, Series 2013A	1,159,000	7/15/2013	1/15/2021
Lydia Middleton School Building Corporation	Refunding Bonds, Series 2013B	<u>592,000</u>	7/15/2013	7/15/2021
Total annual lease payments		<u><u>\$ 2,756,500</u></u>		
Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	Pool	\$ 1,975,000	\$ 154,425	
General obligation pension bonds	Pension	<u>510,453</u>	<u>510,453</u>	
Totals		<u><u>\$ 2,485,453</u></u>	<u><u>\$ 664,878</u></u>	



MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2014

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	\$ 594,464
Buildings	43,079,433
Improvements other than buildings	1,886,171
Machinery, equipment, and vehicles	<u>5,919,534</u>
Total capital assets	<u><u>\$ 51,479,602</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 MADISON CONSOLIDATED SCHOOLS, JEFFERSON COUNTY, INDIANA

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

We have audited the Madison Consolidated Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-005. Our opinion on each major federal program is not modified with respect to this matter.

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

**Report on Internal Control Over Compliance**


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2014-004, and 2014-005 to be material weaknesses.

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

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

  
Paul D. Joyce, CPA  
State Examiner

April 14, 2016

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#### 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.

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MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	13-3995	\$ 159,032	\$ -
			14-3995	-	143,755
National School Lunch Program	Indiana Department of Education	10.555	13-3995	751,981	-
			14-3995	-	736,673
Total - Child Nutrition Cluster				911,013	880,428
Total - Department of Agriculture				911,013	880,428
<u>Department of Education</u>					
Title I Grants To Local Educational Agencies	Indiana Department of Education	84.010			
FY 12			12-3995	225,302	-
FY 13			13-3995	439,230	287,999
FY 14			14-3995	-	345,136
Total - Title I Grants To Local Educational Agencies				664,532	633,135
Special Education Cluster (IDEA)					
Special Education-Grants To States	Indiana Department of Education	84.027			
FY 11			14211-038-PN01	78,717	-
FY 12			14212-038-PN01	532,715	94,582
FY 13			14213-038-PN01	255,965	564,600
FY 14			14214-038-PN01	-	208,038
FY 14			99914-157-TA01	-	3,164
Special Education Improvement Award 2013			A58-3-13DL-1416	-	68,505
Total - Special Education-Grants To States				867,397	938,889
Special Education-Preschool Grants	Indiana Department of Education	84.173			
FY 11			45711-038-PN01	10,731	-
FY 12			45712-038-PN01	19,887	10,345
FY 13			45713-038-PN01	99	30,558
Total - Special Education-Preschool Grants				30,717	40,903
Total - Special Education Cluster (IDEA)				898,114	979,792
Educational Technology State Grants	Indiana Department of Education	84.318			
FY 13			13-3995	68,310	-
English Language Acquisition State Grants	Indiana Department of Education	84.365			
FY 13			13-3995	10,302	410
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
FY 12			12-3995	121,646	25,276
FY 13			13-3995	20,532	66,302
Total - Improving Teacher Quality State Grants				142,178	91,578
Education Jobs Fund	Indiana Department of Education	84.410			
FY 13			13-3995	161,778	-
Total - Department of Education				1,945,214	1,704,915
Total federal awards expended				\$ 2,856,227	\$ 2,585,343

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

MADISON CONSOLIDATED SCHOOLS  
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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2013	2014
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 97,956	\$ 96,371

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified

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

<u>                    Name of Federal Program or Cluster                    </u>
Child Nutrition Cluster
Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

*Lack of Segregation of Duties*

The School Corporation had not separated incompatible activities related to cash and investments and receipts. During the audit period, the Treasurer was primarily responsible for reconciling the funds ledger to the depository balance, issuing receipts, depositing receipts into the depository, and recording receipts in the financial accounting system.

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected. Control activities should have been implemented to reduce the risk of errors in financial reporting.

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

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

***FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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 Treasurer was primarily responsible for preparing the SEFA. There was no evidence that the information was reviewed or approved by another individual.

The School Corporation should have had proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, there were the following errors:

1. Expenditures for the School Breakfast Program (CFDA: 10.553), were understated by \$302,787.
2. Expenditures for the National School Lunch Program (CFDA: 10.555), were overstated by \$583,874.
3. Expenditures for the Education Jobs fund (CFDA: 84.410), were understated by \$161,778.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

***FINDING 2014-003 - CASH MANAGEMENT, LEVEL OF EFFORT,  
PERIOD OF AVAILABILITY, AND REPORTING***

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): 14211-038-PN01; 14212-038-PN01;  
14213-038-PN01; 14214-038-PN01;  
99914-157-TA01; A58-3-13DL-1416;  
45711-038-PN01; 45712-038-PN01;  
45713-038-PN01

Pass-Through Entity: Indiana Department of Education

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Level of Effort, Period of Availability, and Reporting.

The School Corporation designated Madison Area Educational Special Services Unit (MAESSU) as the fiscal agent to receive and manage the funding of the Special Education programs. There were the following deficiencies in the internal control system.

*Cash Management*

Requests for Reimbursement were prepared by MAESSU's Business Manager. There was no control in place to ensure that expenditures were paid prior to requesting reimbursement.

*Level of Effort*

The School Corporation's Treasurer prepared and submitted Maintenance of Effort (MOE) calculations to the fiscal agent. There was no control in place to ensure the MOE calculations were accurate.

*Period of Availability*

MAESSU's Business Manager monitored expenditures for compliance with Period of Availability requirements. There was no control in place to ensure expenditures were incurred within the period of availability.

*Reporting*

The Requests for Reimbursement and Final Expenditure Reports are prepared and submitted by MAESSU's Business Manager. There was no control in place to ensure that the Requests for Reimbursements and Final Expenditure Reports were accurate prior to submission.

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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 program.

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

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. "

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

***FINDING 2014-004 - PROCUREMENT AND SUSPENSION AND DEBARMENT, PROGRAM INCOME, REPORTING, SPECIAL TESTS AND PROVISIONS, AND ELIGIBILITY***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555,

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions, and Eligibility.

*Procurement and Suspension and Debarment*

One employee was responsible for collecting from vendors certification that they were not suspended or debarred. There was no control in place to ensure that certifications from the vendors were collected.

*Program Income*

There was not adequate segregation of duties, such as an oversight, review, or approval process to ensure that program income was charged at the approved rate and properly recorded into the School Lunch fund.

*Reporting*

The Sponsor Claims (claims for reimbursement) Reports, Annual Financial Reports, and Verification Summary Reports were prepared and submitted by the Food Service Director. There was no control in place to ensure reports were accurate prior to submission.

*Special Tests and Provisions - Paid Lunch Equity*

The annual calculation for paid lunch equity was prepared by the Food Service Director. There was no control in place to ensure the calculation was accurate.

*Eligibility*

The Food Service Director was solely responsible for inputting all paper applications into the computer software system that determines eligibility. In addition, the applicable federal income eligibility guidelines were uploaded every year by the lunch software provider; however, there was no documentation that the eligibility guidelines entered were verified as accurate prior to the software making eligibility determinations for all applicants. An oversight or review process had not been established to ensure accurate eligibility determinations.

MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 program.

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

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."

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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.

***FINDING 2014-005 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirement. The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement.

The School Lunch fund balance exceeded the average expenditures for 3 months for all 24 months of the audit period. The average expenditures for 3 months for the fiscal year ending June 30, 2013, was \$173,085. The cash balance exceeded the average expenditures for 3 months between \$1,363,397 and \$1,712,251 each month. The average expenditures for 3 months for the fiscal year ending June 30, 2014, was \$174,966. The cash balance exceeded the average expenditures for 3 months between \$1,588,766 and \$1,871,540 each month.



MADISON CONSOLIDATED SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Noncompliance with the Cash Management requirements occurred due to lack of effective internal control procedures to ensure compliance.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties.

7 CFR 210.14(b) states: "*Net Cash Resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its non profit school food service . . . "

OMB Circular A133, 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."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could result in the loss of federal funds to the School Corporation.

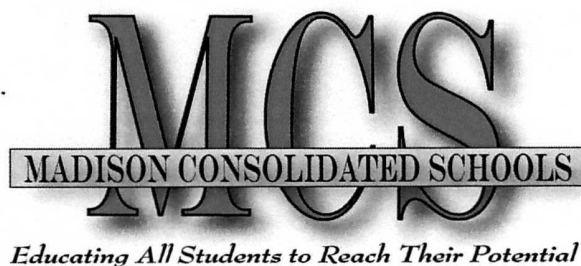
We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management requirement of the program.

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#### AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.

Ginger Studebaker-Bolinger, Ph.D.  
Superintendent



2421 Wilson Avenue  
Madison, IN 47250  
Phone: 812-274-8001

**CORRECTIVE ACTION PLAN**  
Audit Period July 1, 2012 through June 30, 2014

**FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources  
Contact Phone Number: (812) 274-8001

**Description of Corrective Action Plan:**

During the audit period the Treasurer was responsible for reconciling the funds ledger to the depository balance, issuing receipts, depositing receipts into the depository, and recording receipts in the financial accounting system. The Deputy Treasurer will prepare the deposits for the depository and record receipts in the financial accounting system. The Treasurer will be responsible for reviewing prepared deposits for the depository, depositing receipts into the depository, and signing off on receipts recorded into the financial accounting system.

The Treasurer is also responsible for reconciling the funds ledger to the depository balance monthly and the Director of Finance reviews and approves. This procedure was implemented January of 2015.

Anticipated Completion Date: June 30, 2016

**FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources  
Contact Phone Number: (812) 274-8001

**Description of Corrective Action Plan:**

The SEFA was prepared with the amount of expenditures from each federal award. In the future, amounts recorded will be the amount reimbursed per the award. The Treasurer will prepare the SEFA with accurate information and the Director of Finance will review and sign off on the SEFA.

Anticipated Completion Date: June 30, 2016

**FINDING 2014-003 - CASH MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, AND REPORTING**

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources  
Contact Phone Number: (812) 274-8001

**Description of Corrective Action Plan:**

During the audit period, Madison Consolidated Schools was a member of the Madison Area Education Special Service Unit (MAESSU). MAESSU was the fiscal agent designated to receive and manage funding of the Special Education Programs and grants. On July 1, 2014 Madison Consolidated Schools

separated from MASESSU. Madison Consolidated Schools currently provides a greater level of internal control and segregation of duties for the administration of the programs. The Treasurer will prepare and submit the request for reimbursement, Maintenance of Effort Calculations, and the Period of Availability after review by the Director of Finance. The quarterly and final expenditure reports are prepared by the Treasurer and are reviewed by the Director of Special Education prior to submission.

Anticipated Completion Date: Current

***FINDING 2014-004 – PROCUREMENT AND SUSPENSION AND DEBARMENT, PROGRAM INCOME, REPORTING, SPECIAL TEST AND PROVISIONS, ELIGIBILITY***

Contact Person Responsible for Corrective Action: Judy Brooks, Food Service Coordinator  
Contact Phone Number: (812) 274-8001

**Description of Corrective Action Plan:**

A part-time Food Service Accounting Clerk will be hired to prepare eligibility determination for students, procurement, income, reporting, and paid lunch equity. The Food Service Coordinator will be responsible for the review of the food service clerk's work and verifying accuracy and compliance in accordance with applicable regulations. The addition of a part-time food service clerk will allow for proper segregation of duties and internal control.

Anticipated Completion Date: June 30, 2016

***FINDING 2014-005 – CASH MANAGEMENT***

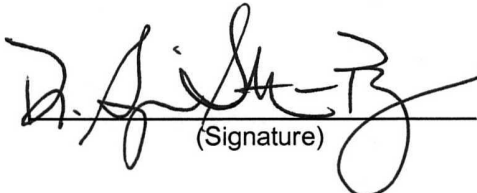
Contact Person Responsible for Corrective Action: Judy Brooks, Food Service Coordinator  
Contact Phone Number: (812) 274-8001

**Description of Corrective Action Plan:**

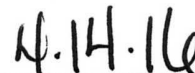
The food service program will work to reduce the current cash balance by hiring additional staff, purchase new equipment, serve a wider variety of fresh foods, and serve breakfast to all students free of charge. Several of these initiatives have already commenced and will continue to grow, thus reducing the cash balance in accordance with applicable regulations.

The Food Service Director will be responsible for monitor cash projections in the future and reporting to the Director of Finance for review.

Anticipated Completion Date: June 30, 2017

  
(Signature)

\_\_\_\_\_  
Superintendent  
(Title)

  
\_\_\_\_\_  
(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/>.