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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, 2014 to June 30, 2016

FILED
08/01/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Danica Houze	07-01-14 to 12-31-18
Superintendent of Schools	Dr. Ginger Studebaker-Bolinger	07-01-14 to 06-13-17
	William H. Narworld (interim)	06-14-17 to 11-30-17
	Dr. Jeffery T. Studebaker (interim)	12-01-17 to 06-30-18
	Dr. Jeffery T. Studebaker	07-01-18 to 06-30-21
President of the School Board	Todd Bass	01-01-14 to 12-31-14
	Joyce Imel	01-01-15 to 12-31-17
	Carl Glesing	01-01-18 to 12-31-18

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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, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

July 26, 2018

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

TO: THE OFFICIALS OF THE 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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated July 26, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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 a material weakness.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 2016-001.

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
Paul D. Joyce, CPA
State Examiner

July 26, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

MADISON CONSOLIDATED SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	$ 6,297,428	$ 19,047,599	$ 16,980,290	$ -	$ 8,364,737	$ 18,735,948	$ 17,814,007	$ (1,500,000)	$ 7,786,678
Debt Service	1,487,620	2,946,075	3,122,886	-	1,310,809	3,274,073	2,992,454	111,666	1,704,094
Retirement/Severance Bond Debt Service	176,682	279,050	455,732	-	-	-	-	-	-
Capital Projects	2,765,681	3,050,028	2,000,416	131,817	3,947,110	3,226,134	2,557,057	46,366	4,662,553
School Transportation	350,069	1,805,719	1,443,487	-	712,301	1,894,123	1,453,975	1,000	1,153,449
School Bus Replacement	350,279	407,377	405,986	6,600	358,270	424,561	410,294	-	372,537
Rainy Day	1,178,000	-	-	-	1,178,000	-	-	1,500,000	2,678,000
Construction	20,252	-	-	-	20,252	-	20,252	-	-
JR High Pool Construction	156,359	-	5,788	-	150,571	-	150,571	-	-
HS Construction	-	-	-	-	-	-	54,572	2,000,000	1,945,428
Safety/Security Construction	-	-	-	-	-	-	39,863	2,000,000	1,960,137
School Lunch	2,046,507	1,300,886	1,252,690	-	2,094,703	1,375,121	2,029,344	-	1,440,480
Textbook Rental	(283,402)	581,345	331,897	-	(33,954)	609,863	563,571	-	12,338
Child Care Program	(18,215)	144,499	123,305	-	2,979	206,310	190,836	-	18,453
Alternative Education	13,100	20,100	-	-	33,200	16,520	-	-	49,720
Safe Haven 14-15	-	-	2,448	-	(2,448)	5,603	3,155	-	-
Safe Haven 15-16	-	-	-	-	-	7,262	9,338	-	(2,076)
Employee Recogn / Learning Place	32,000	15,000	21,747	-	25,253	18,092	8,334	-	35,011
Reading Recovery Site Training	1,394	-	-	-	1,394	-	-	-	1,394
Instructional Support	12,918	10,380	5,910	-	17,388	26,256	19,928	-	23,716
Breakfast & Lunch Ass't	80	-	-	-	80	-	50	-	30
MCSC Foundation LP Donation	-	13,566	-	-	13,566	52,085	-	-	65,651
EOM Community Foundation	-	-	-	-	-	2,400	2,400	-	-
ECO15 PLTW 2013-2014 Biomedical	10,497	1,000	7,984	-	3,513	-	3,513	-	-
College & Career Readiness Grant	5,431	12,500	17,931	-	-	-	-	-	-
Duke Grant	-	16,660	11,192	-	5,468	16,600	1,606	-	20,462
MCEDC-Community Foundation	-	2,600	2,600	-	-	5,085	-	-	5,085
Band-Comm. Foundation Grant	-	23,000	23,000	-	-	-	-	-	-
Early Learning Grant	-	-	-	-	-	49,387	-	-	49,387
Scholarships and Awards	36,747	-	1,725	-	35,022	16	1,675	-	33,363
Miscellaneous Programs	3,772	-	-	-	3,772	-	319	-	3,453
Education Foundation 2013/2014	9,755	14,198	23,953	-	-	-	-	-	-
GED	97	-	-	-	97	-	-	-	97
Cub Field Renovation Donation	962	-	-	-	962	-	-	-	962
Employee Benefit Fund	2,615,492	210,247	232,031	-	2,593,708	13,622	18,028	-	2,589,302
Insurance Fund	77,025	-	-	-	77,025	35	-	-	77,060
4-Community Grant	357	-	-	-	357	-	-	-	357
Formative Assessment	-	-	-	-	-	30,173	30,173	-	-
Driver's Education	48,525	38,130	53,634	-	33,021	50,675	38,663	-	45,033
Extra-Curricular Activities	(556)	3,601	3,045	-	-	2,793	3,573	-	(780)
NESP-NonEnglish Speaking 13/14	5,000	-	5,000	-	-	-	-	-	-
NESP-NonEnglish Speaking 14/15	-	5,955	3,196	-	2,759	-	2,759	-	-
NESP-NonEnglish Speaking 15/16	-	-	-	-	-	16,989	3,015	-	13,974

MADISON CONSOLIDATED SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
OTHER FINANCING SOURCES (USES), AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
State Connectivity GT 2012-13	(4,563)	-	(4,563)	-	-	-	-	-	-
State Connectivity Grant 13-14	4,313	4,365	4,563	-	4,115	-	4,115	-	-
State Connectivity Grant 15-16	-	-	-	-	-	4,404	4,320	-	84
Technology Plan Buddy	2,030	-	-	-	2,030	-	2,030	-	-
Elearning Digital Grant	-	-	-	-	-	-	17,297	-	(17,297)
Performance Based Awards	1,234	-	-	-	1,234	-	-	-	1,234
Performance Award	-	45,071	42,994	-	2,077	31,070	31,829	-	1,318
Excellence in Performance Award	-	12,930	12,930	-	-	-	-	-	-
Econ. Development	-	-	-	-	-	133,000	130,062	-	2,938
Secured Sch Safety Grant 13-15	-	20,000	69,589	-	(49,589)	30,000	(19,589)	-	-
Secured Sch Safety Grant 14-16	-	-	11,889	-	(11,889)	-	38,062	-	(49,951)
WHAS Crusade for Children	-	-	-	-	-	22,000	22,000	-	-
Senator David Ford Technology	(20,498)	59,860	39,362	-	-	-	-	-	-
Elearning Admin Academy Grant	633	-	-	-	633	-	-	-	633
IDOE-Digital Leadership	-	-	-	-	-	5,000	5,000	-	-
DOE Spec Ed Contract	-	-	-	-	-	21,393	35,881	-	(14,488)
Title I 2013-14	(71,218)	241,358	170,140	-	-	-	-	-	-
Title I 14-15	-	377,952	608,152	-	(230,200)	359,823	129,623	-	-
Title I 15-16	-	-	-	-	-	290,193	560,848	-	(270,655)
Part B 611 FY14	-	69,011	199,993	-	(130,982)	227,336	96,354	-	-
Part B 611 FY15	-	528,257	785,364	-	(257,107)	257,107	109,580	-	(109,580)
611 Part B FY16	-	-	-	-	-	-	666,342	-	(666,342)
FY 14 Technical Assistance	-	-	10,689	-	(10,689)	16,465	5,776	-	-
Part B 619 FY18	-	-	33,444	-	(33,444)	-	435	-	(33,879)
Part B 619 FY14	-	-	-	-	-	32,250	32,250	-	-
Part B 619 FY16	-	-	-	-	-	-	16,432	-	(16,432)
NSLP-Equip Grant-CFDA#10-579	-	-	-	-	-	3,696	3,696	-	-
Title II, Part A 12/13	(33,731)	73,706	39,975	-	-	-	-	-	-
Title II, Part A 13/14	(29,562)	46,061	87,764	-	(71,265)	109,320	38,055	-	-
Title II 14-16	-	-	21,585	-	(21,585)	42,602	116,251	-	(95,234)
Title II FY 15 15-17	-	-	-	-	-	-	29,858	-	(29,858)
Rural Schools and Low Income Program - Pass Through State	-	-	26,812	-	(26,812)	60,298	35,308	-	(1,822)
Title III Consortium 2012/13	-	490	490	-	-	-	-	-	-
Title III Consortium 2013/14	(5,762)	7,455	1,693	-	-	685	685	-	-
Title III 14-16	-	-	10,935	-	(10,935)	15,404	538	-	3,931
Title III 15-17	-	-	-	-	-	-	1,200	-	(1,200)
Payroll Clearing	58,255	9,818,558	9,753,400	-	123,413	11,532,049	11,512,349	-	143,113
Prepaid Food	7,412	(2,074)	-	-	5,338	264,503	244,696	-	25,144
Totals	$ 17,308,399	$ 41,252,515	$ 38,465,073	$ 138,417	$ 20,234,258	$ 43,518,324	$ 42,294,608	$ 4,159,032	$ 25,617,005

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

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

Other receipts. Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

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

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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 receipts and disbursements which appear as negative entries. This is a result of posting errors.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants with the reimbursement for expenditures made by the School Corporation not received by June 30th. Additionally, the Textbook Rental fund had not yet received all anticipated collections from students and other revenue sources to fully support the expenditures made. The Extra-Curricular Activities fund is used as a payroll clearing account to process payroll for employees when working extra-curricular events. A reimbursement payment to the School Corporation from the extra-curricular account at the school building level was not made timely.

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 years 2015 and 2016 totaled $986,715 and $488,208, respectively. This lease was paid in full during January of 2016.

The School Corporation has entered into a capital lease 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 years 2015 and 2016 totaled $1,751,000 and $1,769,000, respectively.

Note 10. Subsequent Events

In June 2017, the School Corporation issued general obligation bonds in the amount of $2,000,000 for the renovation of and improvements to Madison Consolidated High School, including expansion of the gym. The amount is to be repaid at an interest rate of 4 percent, beginning with the first payment due July 15, 2018, and maturing on January 15, 2022.

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OTHER INFORMATION - UNAUDITED

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

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

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

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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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	JR High Pool Construction	HS Construction	Safety/ Security Construction
Cash and investments - beginning	$ 6,297,428	$ 1,487,620	$ 176,682	$ 2,765,681	$ 350,069	$ 350,279	$ 1,178,000	$ 20,252	$ 156,359	$ -	$ -
Receipts:											
Local sources	260,497	2,946,075	279,050	3,047,719	1,693,140	407,377	-	-	-	-	-
Intermediate sources	76	-	-	-	-	-	-	-	-	-	-
State sources	18,763,853	-	-	-	-	-	-	-	-	-	-
Federal sources	15,156	-	-	-	69,732	-	-	-	-	-	-
Other receipts	8,017	-	-	2,309	42,847	-	-	-	-	-	-
Total receipts	19,047,599	2,946,075	279,050	3,050,028	1,805,719	407,377	-	-	-	-	-
Disbursements:											
Instruction	11,730,984	-	-	-	-	-	-	-	-	-	-
Support services	4,997,668	-	-	1,674,444	1,443,487	405,986	-	-	-	-	-
Noninstructional services	196,667	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	325,972	-	-	-	-	5,788	-	-
Debt service	54,721	3,122,886	455,732	-	-	-	-	-	-	-	-
Nonprogrammed charges	250	-	-	-	-	-	-	-	-	-	-
Total disbursements	16,980,290	3,122,886	455,732	2,000,416	1,443,487	405,986	-	-	5,788	-	-
Excess (deficiency) of receipts over disbursements	2,067,309	(176,811)	(176,682)	1,049,612	362,232	1,391	-	-	(5,788)	-	-
Other financing sources (uses):											
Sale of capital assets	-	-	-	131,817	-	6,600	-	-	-	-	-
Total other financing sources (uses)	-	-	-	131,817	-	6,600	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,067,309	(176,811)	(176,682)	1,181,429	362,232	7,991	-	-	(5,788)	-	-
Cash and investments - ending	$ 8,364,737	$ 1,310,809	$ -	$ 3,947,110	$ 712,301	$ 358,270	$ 1,178,000	$ 20,252	$ 150,571	$ -	$ -

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, 2015

	School Lunch	Textbook Rental	Child Care Program	Alternative Education	Safe Haven 14-15	Safe Haven 15-16	Employee Recogn / Learning Place	Reading Recovery Site Training	Instructional Support	Breakfast & Lunch Ass't	MCSC Foundation LP Donation
Cash and investments - beginning	$ 2,046,507	$ (283,402)	$ (18,215)	$ 13,100	$ -	$ -	$ 32,000	$ 1,394	$ 12,918	$ 80	$ -
Receipts:											
Local sources	528,313	466,391	144,134	-	-	-	15,000	-	10,380	-	13,566
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	114,954	-	20,100	-	-	-	-	-	-	-
Federal sources	770,155	-	-	-	-	-	-	-	-	-	-
Other receipts	2,418	-	365	-	-	-	-	-	-	-	-
Total receipts	1,300,886	581,345	144,499	20,100	-	-	15,000	-	10,380	-	13,566
Disbursements:											
Instruction	-	-	38,511	-	-	-	-	-	5,295	-	-
Support services	2,938	331,897	13,762	-	2,448	-	21,747	-	615	-	-
Noninstructional services	1,249,752	-	71,032	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,252,690	331,897	123,305	-	2,448	-	21,747	-	5,910	-	-
Excess (deficiency) of receipts over disbursements	48,196	249,448	21,194	20,100	(2,448)	-	(6,747)	-	4,470	-	13,566
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	48,196	249,448	21,194	20,100	(2,448)	-	(6,747)	-	4,470	-	13,566
Cash and investments - ending	$ 2,094,703	$ (33,954)	$ 2,979	$ 33,200	$ (2,448)	$ -	$ 25,253	$ 1,394	$ 17,388	$ 80	$ 13,566

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, 2015

	EOM Community Foundation	ECO15 PLTW 2013-2014 Biomedical	College & Career Readiness Grant	Duke Grant	MCEDC-Community Foundation	Band-Comm. Foundation Grant	Early Learning Grant	Scholarships and Awards	Miscellaneous Programs	Education Foundation 2013/2014	GED
Cash and investments - beginning	$ -	$ 10,497	$ 5,431	$ -	$ -	$ -	$ -	$ 36,747	$ 3,772	$ 9,755	$ 97
Receipts:											
Local sources	-	1,000	12,500	16,660	2,600	23,000	-	-	-	14,198	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	-	1,000	12,500	16,660	2,600	23,000	-	-	-	14,198	-
Disbursements:											
Instruction	-	7,984	-	11,192	2,600	23,000	-	-	-	-	-
Support services	-	-	17,931	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	23,953	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	1,725	-	-	-
Total disbursements	-	7,984	17,931	11,192	2,600	23,000	-	1,725	-	23,953	-
Excess (deficiency) of receipts over disbursements	-	(6,984)	(5,431)	5,468	-	-	-	(1,725)	-	(9,755)	-
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(6,984)	(5,431)	5,468	-	-	-	(1,725)	-	(9,755)	-
Cash and investments - ending	$ -	$ 3,513	$ -	$ 5,468	$ -	$ -	$ -	$ 35,022	$ 3,772	$ -	$ 97

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, 2015

	Cub Field Renovation Donation	Employee Benefit Fund	Insurance Fund	4-Community Grant	Formative Assessment	Driver's Education	Extra-Curricular Activities	NESP-NonEnglish Speaking 13/14	NESP-NonEnglish Speaking 14/15	NESP-NonEnglish Speaking 15/16	State Connectivity GT 2012-13
Cash and investments - beginning	$ 962	$ 2,615,492	$ 77,025	$ 357	$ -	$ 48,525	$ (556)	$ 5,000	$ -	$ -	$ (4,563)
Receipts:											
Local sources	-	-	-	-	-	38,130	3,601	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	5,955	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	210,247	-	-	-	-	-	-	-	-	-
Total receipts	-	210,247	-	-	-	38,130	3,601	-	5,955	-	-
Disbursements:											
Instruction	-	-	-	-	-	-	-	3,969	3,196	-	-
Support services	-	-	-	-	-	-	-	1,000	-	-	(4,563)
Noninstructional services	-	-	-	-	-	32,834	3,045	31	-	-	-
Facilities acquisition and construction	-	-	-	-	-	20,800	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	232,031	-	-	-	-	-	-	-	-	-
Total disbursements	-	232,031	-	-	-	53,634	3,045	5,000	3,196	-	(4,563)
Excess (deficiency) of receipts over disbursements	-	(21,784)	-	-	-	(15,504)	556	(5,000)	2,759	-	4,563
Other financing sources (uses):											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(21,784)	-	-	-	(15,504)	556	(5,000)	2,759	-	4,563
Cash and investments - ending	$ 962	$ 2,593,708	$ 77,025	$ 357	$ -	$ 33,021	$ -	$ -	$ 2,759	$ -	$ -

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, 2015

	State Connectivity Grant 13-14	State Connectivity Grant 15-16	Technology Plan Buddy	Elearning Digital Grant	Performance Based Awards	Performance Award	Excellence in Performance Award	Econ. Development	Secured Sch Safety Grant 13-15	Secured Sch Safety Grant 14-16
Cash and investments - beginning	$ 4,313	$ -	$ 2,030	$ -	$ 1,234	$ -	$ -	$ -	$ -	$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	4,365	-	-	-	-	45,071	12,930	-	20,000	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	4,365	-	-	-	-	45,071	12,930	-	20,000	-
Disbursements:										
Instruction	-	-	-	-	-	42,994	12,930	-	-	-
Support services	4,563	-	-	-	-	-	-	-	59,652	1,889
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	9,937	10,000
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,563	-	-	-	-	42,994	12,930	-	69,589	11,889
Excess (deficiency) of receipts over disbursements	(198)	-	-	-	-	2,077	-	-	(49,589)	(11,889)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(198)	-	-	-	-	2,077	-	-	(49,589)	(11,889)
Cash and investments - ending	$ 4,115	$ -	$ 2,030	$ -	$ 1,234	$ 2,077	$ -	$ -	$ (49,589)	$ (11,889)

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, 2015

	WHAS Crusade for Children	Senator David Ford Technology	Elearning Admin Academy Grant	IDOE-Digital Leadership	DOE Spec Ed Contract	Title I 2013-14	Title I 14-15	Title I 15-16	Part B 611 FY14	Part B 611 FY15
Cash and investments - beginning	$ -	$ (20,498)	$ 633	$ -	$ -	$ (71,218)	$ -	$ -	$ -	$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	59,860	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	241,358	377,952	-	69,011	528,257
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	59,860	-	-	-	241,358	377,952	-	69,011	528,257
Disbursements:										
Instruction	-	-	-	-	-	122,640	384,340	-	199,993	625,580
Support services	-	39,362	-	-	-	44,411	214,452	-	-	159,784
Noninstructional services	-	-	-	-	-	3,089	9,360	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	39,362	-	-	-	170,140	608,152	-	199,993	785,364
Excess (deficiency) of receipts over disbursements	-	20,498	-	-	-	71,218	(230,200)	-	(130,982)	(257,107)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	20,498	-	-	-	71,218	(230,200)	-	(130,982)	(257,107)
Cash and investments - ending	$ -	$ -	$ 633	$ -	$ -	$ -	$ (230,200)	$ -	$ (130,982)	$ (257,107)

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, 2015

	611 Part B FY16	FY 14 Technical Assistance	Part B 619 FY18	Part B 619 FY14	Part B 619 FY16	NSLP-Equip Grant CFDA#10-579	Title II, Part A 12/13	Title II, Part A 13/14	Title II 14-16
Cash and investments - beginning	$ -	$ -	$ -	$ -	$ -	$ -	$ (33,731)	$ (29,562)	$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	73,706	-	-
Other receipts	-	-	-	-	-	-	-	46,061	-
Total receipts	-	-	-	-	-	-	73,706	46,061	-
Disbursements:									
Instruction	-	10,689	33,444	-	-	-	27,489	27,409	-
Support services	-	-	-	-	-	-	12,486	60,355	21,585
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	10,689	33,444	-	-	-	39,975	87,764	21,585
Excess (deficiency) of receipts over disbursements	-	(10,689)	(33,444)	-	-	-	33,731	(41,703)	(21,585)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,689)	(33,444)	-	-	-	33,731	(41,703)	(21,585)
Cash and investments - ending	$ -	$ (10,689)	$ (33,444)	$ -	$ -	$ -	$ -	$ (71,265)	$ (21,585)

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, 2015

	Title II FY 15 15-17	Rural Schools and Low Income Program - Pass Through State	Title III Consortium 2012/13	Title III Consortium 2013/14	Title III 14-16	Title III 15-17	Payroll Clearing	Prepaid Food	Totals
Cash and investments - beginning	$ -	$ -	$ -	$ (5,762)	$ -	$ -	$ 58,255	$ 7,412	$ 17,308,399
Receipts:									
Local sources	-	-	490	7,455	-	-	-	-	9,931,276
Intermediate sources	-	-	-	-	-	-	-	-	76
State sources	-	-	-	-	-	-	-	-	19,047,088
Federal sources	-	-	-	-	-	-	-	-	2,145,327
Other receipts	-	-	-	-	-	-	9,818,558	(2,074)	10,128,748
Total receipts	-	-	490	7,455	-	-	9,818,558	(2,074)	41,252,515
Disbursements:									
Instruction	-	-	490	1,693	10,935	-	-	-	13,327,357
Support services	-	26,812	-	-	-	-	-	-	9,554,711
Noninstructional services	-	-	-	-	-	-	-	-	1,589,763
Facilities acquisition and construction	-	-	-	-	-	-	-	-	372,497
Debt service	-	-	-	-	-	-	-	-	3,633,339
Nonprogrammed charges	-	-	-	-	-	-	9,753,400	-	9,987,406
Total disbursements	-	26,812	490	1,693	10,935	-	9,753,400	-	38,465,073
Excess (deficiency) of receipts over disbursements	-	(26,812)	-	5,762	(10,935)	-	65,158	(2,074)	2,787,442
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	138,417
Total other financing sources (uses)	-	-	-	-	-	-	-	-	138,417
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(26,812)	-	5,762	(10,935)	-	65,158	(2,074)	2,925,859
Cash and investments - ending	$ -	$ (26,812)	$ -	$ -	$ (10,935)	$ -	$ 123,413	$ 5,338	$ 20,234,258

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, 2016

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	JR High Pool Construction	HS Construction	Safety/ Security Construction
Cash and investments - beginning	$ 8,364,737	$ 1,310,809	$ -	$ 3,947,110	$ 712,301	$ 358,270	$ 1,178,000	$ 20,252	$ 150,571	$ -	$ -
Receipts:											
Local sources	194,556	3,274,073	-	3,222,274	1,754,290	424,561	-	-	-	-	-
Intermediate sources	80	-	-	-	-	-	-	-	-	-	-
State sources	18,528,556	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	108,869	-	-	-	-	-	-
Other receipts	12,756	-	-	3,860	30,964	-	-	-	-	-	-
Total receipts	18,735,948	3,274,073	-	3,226,134	1,894,123	424,561	-	-	-	-	-
Disbursements:											
Instruction	12,001,036	-	-	-	-	-	-	-	-	-	-
Support services	5,433,013	-	-	1,949,832	1,453,975	410,294	-	-	-	-	-
Noninstructional services	210,209	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	607,225	-	-	-	20,252	150,571	28,898	14,189
Debt service	169,749	2,992,454	-	-	-	-	-	-	-	25,674	25,674
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	17,814,007	2,992,454	-	2,557,057	1,453,975	410,294	-	20,252	150,571	54,572	39,863
Excess (deficiency) of receipts over disbursements	921,941	281,619	-	669,077	440,148	14,267	-	(20,252)	(150,571)	(54,572)	(39,863)
Other financing sources (uses):											
Proceeds of long-term debt	-	111,666	-	-	-	-	-	-	-	2,000,000	2,000,000
Sale of capital assets	-	-	-	46,366	1,000	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	1,500,000	-	-	-	-
Transfers out	(1,500,000)	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,500,000)	111,666	-	46,366	1,000	-	1,500,000	-	-	2,000,000	2,000,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(578,059)	393,285	-	715,443	441,148	14,267	1,500,000	(20,252)	(150,571)	1,945,428	1,960,137
Cash and investments - ending	$ 7,786,678	$ 1,704,094	$ -	$ 4,662,553	$ 1,153,449	$ 372,537	$ 2,678,000	$ -	$ -	$ 1,945,428	$ 1,960,137

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, 2016

	School Lunch	Textbook Rental	Child Care Program	Alternative Education	Safe Haven 14-15	Safe Haven 15-16	Employee Recogn / Learning Place	Reading Recovery Site Training	Instructional Support	Breakfast & Lunch Ass't	MCSC Foundation LP Donation
Cash and investments - beginning	$ 2,094,703	$ (33,954)	$ 2,979	$ 33,200	$ (2,448)	$ -	$ 25,253	$ 1,394	$ 17,388	$ 80	$ 13,566
Receipts:											
Local sources	486,960	495,003	206,443	-	-	-	18,092	-	26,256	-	52,085
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	111,955	-	16,520	5,603	7,262	-	-	-	-	-
Federal sources	885,719	-	-	-	-	-	-	-	-	-	-
Other receipts	2,442	2,905	(133)	-	-	-	-	-	-	-	-
Total receipts	1,375,121	609,863	206,310	16,520	5,603	7,262	18,092	-	26,256	-	52,085
Disbursements:											
Instruction	-	-	87,942	-	2,595	-	-	-	45	-	-
Support services	273,190	563,571	13,355	-	560	9,338	8,334	-	19,883	-	-
Noninstructional services	1,756,154	-	89,539	-	-	-	-	-	-	50	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,029,344	563,571	190,836	-	3,155	9,338	8,334	-	19,928	50	-
Excess (deficiency) of receipts over disbursements	(654,223)	46,292	15,474	16,520	2,448	(2,076)	9,758	-	6,328	(50)	52,085
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	(654,223)	46,292	15,474	16,520	2,448	(2,076)	9,758	-	6,328	(50)	52,085
Cash and investments - ending	$ 1,440,480	$ 12,338	$ 18,453	$ 49,720	$ -	$ (2,076)	$ 35,011	$ 1,394	$ 23,716	$ 30	$ 65,651

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, 2016

	EOM Community Foundation	ECO15 PLTW 2013-2014 Biomedical	College & Career Readiness Grant	Duke Grant	MCEDC-Community Foundation	Band-Comm. Foundation Grant	Early Learning Grant	Scholarships and Awards	Miscellaneous Programs	Education Foundation 2013/2014	GED
Cash and investments - beginning	$ -	$ 3,513	$ -	$ 5,468	$ -	$ -	$ -	$ 35,022	$ 3,772	$ -	$ 97
Receipts:											
Local sources	2,400	-	-	16,600	5,085	-	49,387	16	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-	-
Total receipts	2,400	-	-	16,600	5,085	-	49,387	16	-	-	-
Disbursements:											
Instruction	2,400	3,513	-	1,606	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	319	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	1,675	-	-	-
Total disbursements	2,400	3,513	-	1,606	-	-	-	1,675	319	-	-
Excess (deficiency) of receipts over disbursements	-	(3,513)	-	14,994	5,085	-	49,387	(1,659)	(319)	-	-
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	-	(3,513)	-	14,994	5,085	-	49,387	(1,659)	(319)	-	-
Cash and investments - ending	$ -	$ -	$ -	$ 20,462	$ 5,085	$ -	$ 49,387	$ 33,363	$ 3,453	$ -	$ 97

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, 2016

	Cub Field Renovation Donation	Employee Benefit Fund	Insurance Fund	4-Community Grant	Formative Assessment	Driver's Education	Extra-Curricular Activities	NESP-NonEnglish Speaking 13/14	NESP-NonEnglish Speaking 14/15	NESP-NonEnglish Speaking 15/16	State Connectivity GT 2012-13
Cash and investments - beginning	$ 962	$ 2,593,708	$ 77,025	$ 357	$ -	$ 33,021	$ -	$ -	$ 2,759	$ -	$ -
Receipts:											
Local sources	-	-	35	-	-	50,675	2,793	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	30,173	-	-	-	-	16,989	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	13,622	-	-	-	-	-	-	-	-	-
Total receipts	-	13,622	35	-	30,173	50,675	2,793	-	-	16,989	-
Disbursements:											
Instruction	-	-	-	-	30,173	-	-	-	2,759	3,015	-
Support services	-	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	38,663	3,573	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	18,028	-	-	-	-	-	-	-	-	-
Total disbursements	-	18,028	-	-	30,173	38,663	3,573	-	2,759	3,015	-
Excess (deficiency) of receipts over disbursements	-	(4,406)	35	-	-	12,012	(780)	-	(2,759)	13,974	-
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	-	(4,406)	35	-	-	12,012	(780)	-	(2,759)	13,974	-
Cash and investments - ending	$ 962	$ 2,589,302	$ 77,060	$ 357	$ -	$ 45,033	$ (780)	$ -	$ -	$ 13,974	$ -

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, 2016

	State Connectivity Grant 13-14	State Connectivity Grant 15-16	Technology Plan Buddy	Elearning Digital Grant	Performance Based Awards	Performance Award	Excellence in Performance Award	Econ. Development	Secured Sch Safety Grant 13-15	Secured Sch Safety Grant 14-16
Cash and investments - beginning	$ 4,115	$ -	$ 2,030	$ -	$ 1,234	$ 2,077	$ -	$ -	$ (49,589)	$ (11,889)
Receipts:										
Local sources	-	-	-	-	-	-	-	133,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	4,404	-	-	-	31,070	-	-	30,000	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	-	4,404	-	-	-	31,070	-	133,000	30,000	-
Disbursements:										
Instruction	-	-	-	-	-	31,829	-	130,062	-	-
Support services	4,115	4,320	2,030	17,297	-	-	-	-	(19,589)	38,109
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	(47)
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,115	4,320	2,030	17,297	-	31,829	-	130,062	(19,589)	38,062
Excess (deficiency) of receipts over disbursements	(4,115)	84	(2,030)	(17,297)	-	(759)	-	2,938	49,589	(38,062)
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	(4,115)	84	(2,030)	(17,297)	-	(759)	-	2,938	49,589	(38,062)
Cash and investments - ending	$ -	$ 84	$ -	$ (17,297)	$ 1,234	$ 1,318	$ -	$ 2,938	$ -	$ (49,951)

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, 2016

	WHAS Crusade for Children	Senator David Ford Technology	Elearning Admin Academy Grant	IDOE-Digital Leadership	DOE Spec Ed Contract	Title I 2013-14	Title I 14-15	Title I 15-16	Part B 611 FY14	Part B 611 FY15
Cash and investments - beginning	$ -	$ -	$ 633	$ -	$ -	$ -	$ (230,200)	$ -	$ (130,982)	$ (257,107)
Receipts:										
Local sources	22,000	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	5,000	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	359,823	290,193	227,336	257,107
Other receipts	-	-	-	-	21,393	-	-	-	-	-
Total receipts	22,000	-	-	5,000	21,393	-	359,823	290,193	227,336	257,107
Disbursements:										
Instruction	-	-	-	-	35,881	-	55,084	308,072	96,354	86,929
Support services	22,000	-	-	5,000	-	-	68,652	250,252	-	22,651
Noninstructional services	-	-	-	-	-	-	5,887	2,524	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	22,000	-	-	5,000	35,881	-	129,623	560,848	96,354	109,580
Excess (deficiency) of receipts over disbursements	-	-	-	-	(14,488)	-	230,200	(270,655)	130,982	147,527
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	-	-	-	-	(14,488)	-	230,200	(270,655)	130,982	147,527
Cash and investments - ending	$ -	$ -	$ 633	$ -	$ (14,488)	$ -	$ -	$ (270,655)	$ -	$ (109,580)

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, 2016

	611 Part B FY16	FY 14 Technical Assistance	Part B 619 FY18	Part B 619 FY14	Part B 619 FY16	NSLP-Equip Grant CFDA#10-579	Title II, Part A 12/13	Title II, Part A 13/14	Title II 14-16
Cash and investments - beginning	$ -	$ (10,689)	$ (33,444)	$ -	$ -	$ -	$ -	$ (71,265)	$ (21,585)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	16,465	-	32,250	-	3,696	-	-	-
Other receipts	-	-	-	-	-	-	-	109,320	42,602
Total receipts	-	16,465	-	32,250	-	3,696	-	109,320	42,602
Disbursements:									
Instruction	666,342	5,776	435	-	16,432	-	-	5,668	15,960
Support services	-	-	-	32,250	-	-	-	32,387	100,291
Noninstructional services	-	-	-	-	-	3,696	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	666,342	5,776	435	32,250	16,432	3,696	-	38,055	116,251
Excess (deficiency) of receipts over disbursements	(666,342)	10,689	(435)	-	(16,432)	-	-	71,265	(73,649)
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	(666,342)	10,689	(435)	-	(16,432)	-	-	71,265	(73,649)
Cash and investments - ending	$ (666,342)	$ -	$ (33,879)	$ -	$ (16,432)	$ -	$ -	$ -	$ (95,234)

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, 2016

	Title II FY 15 15-17	Rural Schools and Low Income Program - Pass Through State	Title III Consortium 2012/13	Title III Consortium 2013/14	Title III 14-16	Title III 15-17	Payroll Clearing	Prepaid Food	Totals
Cash and investments - beginning	$ -	$ (26,812)	$ -	$ -	$ (10,935)	$ -	$ 123,413	$ 5,338	$ 20,234,258
Receipts:									
Local sources	-	-	-	685	15,404	-	-	-	10,452,673
Intermediate sources	-	-	-	-	-	-	-	-	80
State sources	-	-	-	-	-	-	-	-	18,787,532
Federal sources	-	-	-	-	-	-	-	-	2,181,458
Other receipts	-	60,298	-	-	-	-	11,532,049	264,503	12,096,581
Total receipts	-	60,298	-	685	15,404	-	11,532,049	264,503	43,518,324
Disbursements:									
Instruction	-	-	-	685	235	1,200	-	-	13,592,028
Support services	29,858	35,308	-	-	303	-	-	-	10,780,898
Noninstructional services	-	-	-	-	-	-	-	-	2,110,295
Facilities acquisition and construction	-	-	-	-	-	-	-	-	821,088
Debt service	-	-	-	-	-	-	-	-	3,213,551
Nonprogrammed charges	-	-	-	-	-	-	11,512,349	244,696	11,776,748
Total disbursements	29,858	35,308	-	685	538	1,200	11,512,349	244,696	42,294,608
Excess (deficiency) of receipts over disbursements	(29,858)	24,990	-	-	14,866	(1,200)	19,699	19,807	1,223,715
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	4,111,666
Sale of capital assets	-	-	-	-	-	-	-	-	47,366
Transfers in	-	-	-	-	-	-	-	-	1,500,000
Transfers out	-	-	-	-	-	-	-	-	(1,500,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	4,159,032
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,858)	24,990	-	-	14,866	(1,200)	19,699	19,807	5,382,747
Cash and investments - ending	$ (29,858)	$ (1,822)	$ -	$ -	$ 3,931	$ (1,200)	$ 143,113	$ 25,144	$ 25,617,005

MADISON CONSOLIDATED SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	$ 1,243,943	$ -

MADISON CONSOLIDATED SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lydia Middleton School Building Corporation	Refunding Bonds, Series 2013A	$ 1,162,000	7/15/2013	1/15/2021
Lydia Middleton School Building Corporation	Refunding Bonds, Series 2013B	590,000	7/15/2013	7/15/2021
Total annual lease payments		$ 1,752,000		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Pool	$ 1,200,000	$ 894,125
General obligation bonds	HS Renovations & District Safety Security & Upgrades	4,000,000	330,000
Totals		$ 5,200,000	$ 1,224,125

MADISON CONSOLIDATED SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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.

	Ending Balance
Governmental activities:	
Land	$ 594,464
Buildings	43,079,433
Improvements other than buildings	1,886,170
Machinery, equipment, and vehicles	5,919,535
Total capital assets	$ 51,479,602

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2014 to June 30, 2016. 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, 2014 to June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-004, 2016-007, 2016-008, and 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, and 2016-010 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

Paul D. Joyce, CPA
State Examiner

July 26, 2018

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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.

MADISON CONSOLIDATED SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast Program		10.553	FY 14-15	$ -	$ 136,260	$ -	$ -
School Breakfast Program			FY 15-16	-	-	-	141,450
Total - School Breakfast Program				-	136,260	-	141,450
National School Lunch Program	Indiana Department of Education						
School Lunch Program		10.555	FY 14-15	-	624,764	-	-
School Lunch Program-Commodities			FY 14-15	-	78,684	-	-
School Lunch Program			FY 15-16	-	-	-	733,601
School Lunch Program-Commodities			FY 15-16	-	-	-	79,050
Total - National School Lunch Program				-	703,448	-	812,651
Total - Child Nutrition Cluster				-	839,708	-	954,101
Child Nutrition Discretionary Grants Limited Avaliability	Indiana Department of Education						
School Meal Equipment Grant		10.579	A58-6-16SS-0095	-	-	-	3,696
Total - Department of Agriculture				-	839,708	-	957,797
Department of Education							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education						
Part B 611		84.027	14214-158-PN01	-	69,011	-	227,336
Part B 611			14215-158-PN01	-	528,257	-	257,107
Technical Assistance			99914-158-TA01	-	-	-	16,465
Total - Special Education_Grants to States				-	597,268	-	500,908

MADISON CONSOLIDATED SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Special Education_Preschool Grants	Indiana Department of Education						
Part B 619		84.173	45714-158-PN01	-	-	-	32,250
Total - Special Education Cluster (IDEA)				-	597,268	-	533,158
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	13-3995	-	241,358	-	-
Title I			14-3995	-	377,952	-	359,823
Title I			15-3995	-	-	-	290,193
Total - Title I Grants to Local Educational Agencies				-	619,310	-	650,016
Rural Education	Indiana Department of Education						
Rural and Low Income		84.358	FY14	-	-	-	60,298
English Language Acquisition State Grants	Indiana Department of Education						
Title III		84.365	13-3995	-	490	-	-
Title III			15-3995	-	-	-	15,404
Total - English Language Acquisition State Grants				-	490	-	15,404
Improving Teacher Quality State Grants	Indiana Department of Education						
Title II Part A		84.367	13-3995	-	73,976	-	-
Title II Part A			14-3995	-	44,861	-	109,320
Title II Part A			15-3995	-	-	-	39,102
Total - Improving Teacher Quality State Grants				-	118,837	-	148,422
Total - Department of Education				-	1,335,905	-	1,407,298
Total federal awards expended				$ -	$ 2,175,613	$ -	$ 2,365,095

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 under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant 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

Identification of Major Programs:

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

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 2016-001

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

Repeat Finding

This is a repeat of Finding 2014-002 from the immediately prior audit.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was primarily responsible for preparing the SEFA. There was no evidence that the information was reviewed or approved by another individual.

Context

The SEFA contained the following errors:

1. Expenditures for the Child Nutrition Cluster were overstated by $461,158 for the year ending June 30, 2015, and understated by $187,670 for the year ending June 30, 2016.

2. Expenditures for the Child Nutrition Discretionary Grants Limited Availability were understated by $3,696 for the year ended June 30, 2016.

3. Expenditures for the Special Education_Grants to States were overstated by $50,000 for the year ended June 30, 2016.

4. Expenditures for the English Language Acquisition State Grants were overstated by $685 for the year ending June 30, 2016.

5. Expenditures for the Improving Teacher Quality State Grants were overstated by $930 and $3,500 for the years ending June 30, 2015 and 2016, respectively.

6. Some federal grantor agencies, program names, and CFDA numbers were listed incorrectly.

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

Criteria

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

> "Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.
>
> An integral part of the control activity component is segregation of duties. . . .
>
> There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § ____.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."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Internal Controls
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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Findings 2014-004 and 2014-005 from the immediately prior audit.

Condition

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

Cash Management

The School Corporation had not developed procedures whereby the net cash resources in its food service program (School Lunch fund) were monitored to ensure that the net cash resources in the School Lunch fund did not exceed the three months average expenditures. The Food Service Director performed an annual review and there was no oversight or review by someone other than the Food Service Director.

Eligibility

The Food Service Director was solely responsible for inputting all paper applications into the computer software system that determined 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 for accuracy prior to the software making eligibility determinations for all applicants. An oversight or review process had not been established to ensure accurate eligibility determinations.

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 School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports, School Food Authority (SFA) Verification Collection Reports, and monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission. The Food Service Director prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The annual calculation for paid lunch equity was prepared by the Food Service Director. There was no segregation of duties, such as an oversight, review, or approval process to ensure the calculation was accurate.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a partial repeat of Finding 2014-004 from the immediately prior audit relating to suspension and debarment.

Condition

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

Procurement

The Food Service Director was responsible for the preparation, distribution, and review of the quote packets sent to vendors. There was no oversight to verify that the School Corporation was adhering to grant requirements over procurement.

The School Corporation did not have a purchasing policy addressing micro-purchases, small purchases, and other purchases, nor did it have written standards covering conflicts of interest governing performance of its employees engaged in the selection, award, and administration of contracts.

Suspension and Debarment

The Food Service Director was responsible for preparation, distribution, and review of the quote packets that included a Suspension and Debarment Certification. There was no oversight that the vendor was correctly categorized as not suspended or debarred.

Context

Noncompliance with the program requirements and lack of internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 200.318(c)(1) states:

"The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity."

Cause

Management had not developed an effective internal control system that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-004

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-158-PN01, 14215-158-PN01, 45714-158-PN01, 99914-158-TA01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation did not have a purchasing policy addressing micro-purchases, small purchases, and other purchases, nor did it have written standards covering conflicts of interest governing performance of its employees engaged in the selection, award, and administration of contracts.

The School Corporation did not determine if vendors paid were suspended or debarred from participation in federal programs.

Context

Noncompliance with the program requirements and lack of internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 200.318(c)(1) states:

"The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking the ELPS; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking SAM exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed an effective internal control system that would have ensured compliance with the procurement and suspension and debarment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Internal Controls
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States,
Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-158-PN01, 14215-158-PN01, 45714-158-PN01, 99914-158-TA01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2014-003 from the immediately prior audit relating to Cash Management, Level of Effort, Period of Performance, and Reporting.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Level of Effort, Period of Performance, and Reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Activity charged to the grant program as recorded in the ledger was not reviewed by another individual to ensure all activity charged was associated with allowable activities and allowable costs.

Cash Management

Cash reimbursement requested were completed by one individual without oversight or review to ensure the amount being requested was correct and had been paid prior to the amounts being requested.

Level of Effort

Expenditure information reported to the state for use in the calculation of level of effort was completed by one individual without oversight or review to ensure the accuracy of the information reported and the related calculation.

Period of Performance

Activity charged to the grant program as recorded in the ledger was not reviewed by another individual to ensure all the activity charged was within period of performance for the grants.

Reporting

Reports were completed by one individual without oversight or review to ensure the reports were accurate.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Internal Controls
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995, 15-3995
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Cash Management, Eligibility, Period of Availability, Reporting, Special Tests and Provisions - Participation of Private School Children, Special Tests and Provisions - Comparability
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Eligibility, Period of Availability, Reporting, Special Tests and Provisions - Participation of Private School Children, and Special Tests and Provisions - Comparability.

Activities Allowed or Unallowed

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were for activities allowed by the Title I Program.

Cash Management

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement had been incurred and paid prior to the date of the request.

Eligibility

The Title I Director prepared and submitted all of the grant applications. There were no controls in place to ensure the accuracy of the data prior to submission.

Period of Availability

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were incurred during the period of availability.

Reporting

The Treasurer prepared and submitted the monthly Requests for Reimbursement and the Final Annual Expenditure Reports. There were no controls in place to ensure the Requests for Reimbursement or the Final Annual Expenditure Reports were accurate and complete.

Special Tests and Provisions - Participation of Private School Children

The Title I Director prepared and submitted all of the grant applications. There were no controls in place to ensure the accuracy of the Private School's data prior to submission.

Special Tests and Provisions - Comparability

The Title I Director prepared and submitted the Comparability reports. There were no controls in place to ensure the accuracy of the data prior to submission.

Context

The lack of properly designed and implemented controls was a systemic problem throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Four of the ten employees tested during the 2014-2015 school year worked solely within the Title I program; however, no Semi-Annual Certifications were prepared, nor were any time records maintained for these employees.

The Treasurer prepared and submitted the monthly Requests for Reimbursement. There were no controls in place to ensure all costs submitted for reimbursement were made in accordance with the Allowable Costs/Cost Principles compliance requirement of the program.

Context

The lack of controls was a systemic problem throughout the entire audit period. The noncompliance related to time and effort requirements was only an issue for the 2014-2015 school year.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

OMB A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Procurement
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 15-3995
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Procurement compliance requirement. The School Corporation had not adopted an adequate policy for compliance with requirements pertaining to procurement.

Written policies and procedures outlining responsibilities and duties for procurement had not been established identifying procurement requirement in order to ensure staff was knowledgeable about the grant requirements and a process was in place to ensure adherence to the requirements. The School Corporation did not have a written code of ethical conduct.

Context

The lack of controls and a formal policy was a systematic problem for the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 states in part:

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

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. . . ."

2 CFR 200.318 states in part:

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

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995, 15-3995
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirement. Written documentation was not obtained for students who transferred out, immigrated to another country, or are deceased.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not obtain the proper documentation required for 6 of the 21 students tested.

Criteria

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

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

2 CFR 200.303 states in part:

The non-Federal entity must:

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

34 CFR 200.19(b) states in part:

"*High schools—*

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

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

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

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

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

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

(2) *Transitional graduation rate*.

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies, Special Education_Grants to States - Special Tests and Provisions - Schoolwide Programs
Federal Agency: Department of Education
Federal Programs: Title I Grants to Local Educational Agencies, Special Education_Grants to States
CFDA Numbers: 84.010, 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 13-3995, 14-3995, 15-3995, 14214-158-PN01, 14215-158-PN01, 99914-158-TA01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Schoolwide Programs
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreements and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Information used to determine eligibility in the program was not reviewed. The Title I Director prepared and submitted all of the grant applications. There were no controls in place to ensure the accuracy of the data prior to submission.

Context

The lack of properly designed and implemented controls was a systemic problem throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

Carl Glesing, President
Rob Kring, Vice-President
Jeanne Dugle, Secretary
Joyce Imel, Member
Linda laCour, Member

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

Educating All Students to Reach Their Potential

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Fiscal year in which the finding initially occurred: 2012-2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Status of Audit Finding:

During the audit period, Madison Consolidated Schools was a member of the Madison Area Education Special Service Unit (MASESSU). 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.
Currently the Treasurer prepares and submits the request for reimbursement, Maintenance of Effort Calculations, and the Period of Availability after review by the Director of Special Education or a finance employee. The quarterly and final expenditure reports are prepared by the Treasurer and are reviewed by the Director of Special Education prior to submission. These procedures were started July 2016.

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

Fiscal year in which the finding initially occurred: 2012-2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Status of Audit Finding:

In July 2016, we hired an accounting and food service clerk to separate the duties and internal controls. Then in January 2017 we added another Food Service employee. We now have a Nutrition & Wellness Coordinator, as well as a Nutrition & Wellness Coordinator Assistant. The Assistant prepares eligibility determination for students, procurement, income, reporting, and paid lunch equity. The Nutrition & Wellness Coordinator is responsible for the review of the assistant's work and verifying accuracy and

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compliance in accordance with applicable regulations. The additional employee allows for proper segregation of duties and internal control.

FINDING 2014-005 – CASH MANAGEMENT

Fiscal year in which the finding initially occurred: 2012-2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Status of Audit Finding:

The food service program has been working to reduce the current cash balance. To reduce the cash balance we have starting to serve breakfast to all students free of charge and started serving a wider variety of fresh foods. In addition, we are reopening Anderson Elementary School at the end of 2018 and all new cafeteria equipment will be purchased.

Danica Hamze
(Signature)

Treasurer
(Title)

7-12-18
(Date)

Carl Glesing, President
Rob Kring, Vice-President
Jeanne Dugle, Secretary
Joyce Imel, Member
Linda laCour, Member

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Educating All Students to Reach Their Potential

CORRECTIVE ACTION PLAN
Audit Period July 1, 2014 through June 30, 2016

Finding 2016-001

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer will prepare the SEFA with accurate information and the Director of Finance will review and sign off on the SEFA. Documentation will be kept to ensure evidence of preparation, review, and approval of the SEFA.

Anticipated Completion Date: 7/1/2018

Finding 2016-002

Contact Person Responsible for Corrective Action: Tonya Maschino, Nutrition and Wellness Coordinator
Contact Phone Number: 812-274-8116

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Nutrition and Wellness Coordinator will work closely with the Director of Finance to reduce the current cash balance. The Nutrition and Wellness Coordinator will be responsible to monitor cash projections and reporting to the Director of Finance for review and approval.

The Nutrition and Wellness Assistant Coordinator and the Nutrition and Wellness Coordinator will both review and approve the eligibility information in the lunch software provider, Skyward. The Nutrition and

Wellness Assistant Coordinator will be responsible for inputting the application in the system, after the guidelines are approved each year.

The Nutrition and Wellness Coordinator will prepare all reporting, income, and paid lunch equity. The Nutrition and Wellness Assistant Coordinator will be responsible for the review and verifying accuracy and compliance in accordance with applicable regulation. They will work together to allow proper segregation of duties and internal controls.

Anticipated Completion Date: 7/1/2018

Finding 2016-003

Contact Person Responsible for Corrective Action: Tonya Maschino, Nutrition and Wellness Coordinator
Contact Phone Number: 812-274-8116

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Nutrition and Wellness Assistant Coordinator and the Nutrition and Wellness Coordinator will work together to ensure procurement procedures are in compliance with requirements, including preparation, distribution, and review of all quote packets. The School Corporation adopted a purchasing policy on 12/14/2016. The Nutrition & Wellness Coordinator and the assistant will start verifying that vendors are not suspended or debarred from participation in federal programs before purchasing, the Deputy Treasurer will verify before a payment is made.

Anticipated Completion Date: 7/1/2018

Finding 2016-004

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school corporation adopted a policy on procurement and suspension and debarment on 12/14/2016. The Director of Special Education and the special education secretary will start verifying that vendors are not suspended or debarred from participation in federal programs before purchasing, the Deputy Treasurer will verify before a payment is made.

Anticipated Completion Date: 7/1/2018

Finding 2016-005

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer will prepare reimbursement requests, attaching the expenditure details for the period and the Accounting Specialist will review and approve, also ensuring activity charged was within the period of performance for each grant. The Treasurer will prepare the MOE and final expenditure report with accurate back up documentation, and the Director of Special Education will review and approve.

Anticipated Completion Date: 7/1/2018

Finding 2016-006

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer will prepare reimbursement requests and final expenditure report attaching appropriate supporting documentation, the Accounting Specialist with review and approving, ensuring all activities occurred within the period. The Title I Compliance Specialist and Assistant Superintendent will prepare the Title I application with review and approval from the Superintendent.

Anticipated Completion Date: 7/1/2018

Finding 2016-007

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer will have all employees being paid from Title I have Semi-Annual Certifications filled out and signed by their supervisor. Also all employees being paid via time card will say "Title I" on them. These two items will ensure time and effort requirements. Also the reimbursements will be reviewed to approve all costs are in in accordance with Allowable Costs/Cost Principles compliance requirement by the Title I Program.

Anticipated Completion Date: 7/1/2018

Finding 2016-008

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school corporation adopted a policy on procurement and suspension and debarment on 12/14/2016. The Title I Compliance Specialist will start verifying that vendors are not suspended or debarred from participation in federal programs before purchasing, the Deputy Treasurer will verify before a payment is made.

Anticipated Completion Date: 7/1/2018

Finding 2016-009

Contact Person Responsible for Corrective Action: Michael Gasaway, High school Principal
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The high school will create procedures for tracking enrollments, removals, transfers, expulsion, and graduation numbers. The High School principal will review and approve at least twice a year.

Anticipated Completion Date: 7/1/2018

Finding 2016-010

Contact Person Responsible for Corrective Action: Bonnie Hensler, Director of Finance & Human Resources
Contact Phone Number: 812-274-8102

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasure prepares the Special Education Grant applications. The Director of Special Education reviews and approves the applications. The Title I Compliance Specialist & Assistant Superintendent will determine eligibility and prepare the Title I grant application. The Superintendent will review and approve.

Anticipated Completion Date: 7/1/2018

Danica Hauge
(Signature)

Treasurer
(Title)

7-23-2018
(Date)

OTHER REPORTS

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