

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

AUDIT REPORT  
OF

MADISON AREA EDUCATIONAL  
SPECIAL SERVICES UNIT  
JEFFERSON COUNTY, INDIANA

July 1, 2008 to June 30, 2010



**FILED**  
03/08/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Business Manager	Christopher A. Trader	07-01-08 to 06-30-11
Executive Director	Connie L. Griffith	07-01-08 to 06-30-11
President of the Board of Directors	Stephen C. Telfer Robert D. Hooker Dr. Elizabeth T. Jones	07-01-08 to 06-30-09 07-01-09 to 03-03-10 03-04-10 to 06-30-11



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

TO: THE OFFICIALS OF THE MADISON AREA EDUCATIONAL  
SPECIAL SERVICES UNIT, JEFFERSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Area Educational Special Services Unit (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 14, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

STATE BOARD OF ACCOUNTS

February 14, 2011



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

TO: THE OFFICIALS OF THE MADISON AREA EDUCATIONAL  
SPECIAL SERVICES UNIT, JEFFERSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Area Educational Special Services Unit (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

February 14, 2011

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Totals</u>
Governmental activities:					
Instruction	\$ 5,929,128	\$ -	\$ -	\$ -	\$ (5,929,128)
Support services	1,999,676	-	-	-	(1,999,676)
Facilities acquisition and construction	19,173	-	-	-	(19,173)
Nonprogrammed charges	115,513	-	-	-	(115,513)
<b>Total governmental activities</b>	<b><u>\$ 8,063,490</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>(8,063,490)</u></b>
General receipts:					
Other local sources					4,316,028
Grants and contributions not restricted to specific programs					3,858,057
Investment earnings					45,220
Other					5,639
<b>Total general receipts</b>					<b><u>8,224,944</u></b>
Change in net assets					161,454
Net assets - beginning					<u>1,589,660</u>
Net assets - ending					<b><u>\$ 1,751,114</u></b>
<u>Assets</u>					
Cash and investments					<b><u>\$ 1,751,114</u></b>
<u>Net Assets</u>					
Unrestricted					<b><u>\$ 1,751,114</u></b>

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Totals</u>
Governmental activities:					
Instruction	\$ 6,175,494	\$ -	\$ -	\$ -	\$ (6,175,494)
Support services	2,389,422	-	-	-	(2,389,422)
Facilities acquisition and construction	94,755	-	-	-	(94,755)
Nonprogrammed charges	152,580	-	-	-	(152,580)
Total governmental activities	\$ 8,812,251	\$ -	\$ -	\$ -	(8,812,251)
General receipts:					
Other local sources					4,098,687
Grants and contributions not restricted to specific programs					4,494,394
Investment earnings					30,523
Other					2,307
Total general receipts					8,625,911
Change in net assets					(186,340)
Net assets - beginning					1,751,114
Net assets - ending					\$ 1,564,774
<u>Assets</u>					
Cash and investments					\$ 1,564,774
<u>Net Assets</u>					
Unrestricted					\$ 1,564,774

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	General	Preschool Special Education	Rainy Day	Special Education PIE FY 08/09 14209-038-PN01	FY 2008 Part B Carry Over 08/09 14208-038-PY02	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 3,912,597	\$ 374,779	\$ -	\$ -	\$ -	\$ 73,872	\$ 4,361,248
Federal sources	145,547	7,052	-	1,076,000	1,503,000	1,126,458	3,858,057
Other	5,639	-	-	-	-	-	5,639
<b>Total receipts</b>	<b>4,063,783</b>	<b>381,831</b>	<b>-</b>	<b>1,076,000</b>	<b>1,503,000</b>	<b>1,200,330</b>	<b>8,224,944</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	2,663,639	222,426	-	771,494	1,194,797	1,076,772	5,929,128
Support services	1,396,249	55,817	-	287,694	11,214	248,702	1,999,676
Facilities acquisition and construction	-	-	-	-	-	19,173	19,173
Nonprogrammed charges	-	-	-	-	-	115,513	115,513
<b>Total disbursements</b>	<b>4,059,888</b>	<b>278,243</b>	<b>-</b>	<b>1,059,188</b>	<b>1,206,011</b>	<b>1,460,160</b>	<b>8,063,490</b>
Excess (deficiency) of receipts over disbursements	3,895	103,588	-	16,812	296,989	(259,830)	161,454
<b>Other financing sources (uses):</b>							
Transfers in	16,650	-	-	-	735	-	17,385
Transfers out	-	-	-	-	-	(17,385)	(17,385)
<b>Total other financing sources (uses)</b>	<b>16,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>735</b>	<b>(17,385)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,545	103,588	-	16,812	297,724	(277,215)	161,454
Cash and investments - beginning	713,506	148,343	315,878	-	-	411,933	1,589,660
Cash and investments - ending	<u>\$ 734,051</u>	<u>\$ 251,931</u>	<u>\$ 315,878</u>	<u>\$ 16,812</u>	<u>\$ 297,724</u>	<u>\$ 134,718</u>	<u>\$ 1,751,114</u>
<b>Cash and Investment Assets - Ending</b>							
Total cash and investment assets - ending	<u>\$ 734,051</u>	<u>\$ 251,931</u>	<u>\$ 315,878</u>	<u>\$ 16,812</u>	<u>\$ 297,724</u>	<u>\$ 134,718</u>	<u>\$ 1,751,114</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Total cash and investment fund balance - ending	<u>\$ 734,051</u>	<u>\$ 251,931</u>	<u>\$ 315,878</u>	<u>\$ 16,812</u>	<u>\$ 297,724</u>	<u>\$ 134,718</u>	<u>\$ 1,751,114</u>

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	Preschool Special Education	Rainy Day	Special Education PIE FY 08/09 14209-038-PN01	FY 2008 Part B Carry Over 08/09 14208-038-PY02
<b>Receipts:</b>					
Local sources	\$ 3,859,649	\$ 169,937	\$ -	\$ -	\$ -
Federal sources	149,538	3,061	-	154,706	109,170
Other	2,307	-	-	-	-
<b>Total receipts</b>	<b>4,011,494</b>	<b>172,998</b>	<b>-</b>	<b>154,706</b>	<b>109,170</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	2,750,902	102,346	-	69,456	297,809
Support services	1,353,908	30,972	-	22,911	37,606
Facilities acquisition and construction	-	-	-	-	-
Nonprogrammed charges	-	-	-	53,165	71,479
<b>Total disbursements</b>	<b>4,104,810</b>	<b>133,318</b>	<b>-</b>	<b>145,532</b>	<b>406,894</b>
Excess (deficiency) of receipts over disbursements	(93,316)	39,680	-	9,174	(297,724)
<b>Other financing sources (uses):</b>					
Transfers in	308,260	-	-	-	-
Transfers out	-	(291,611)	-	(25,986)	-
<b>Total other financing sources (uses)</b>	<b>308,260</b>	<b>(291,611)</b>	<b>-</b>	<b>(25,986)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	214,944	(251,931)	-	(16,812)	(297,724)
Cash and investments - beginning	734,051	251,931	315,878	16,812	297,724
Cash and investments - ending	<u>\$ 948,995</u>	<u>\$ -</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>					
Total cash and investment assets - ending	<u>\$ 948,995</u>	<u>\$ -</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Total cash and investment fund balance - ending	<u>\$ 948,995</u>	<u>\$ -</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ -</u>

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010  
(Continued)

	Special Education PIE FY 09/10 14210-038-PN01	FY 2009 PIE Part B Carry Over 09/10 14209-038-PY02	Special Education Part B Stimulus 33310-038-SN01	Other	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ 100	\$ 38,750	\$ 60,774	\$ 4,129,210
Federal sources	1,230,235	1,023,000	1,146,000	678,684	4,494,394
Other	-	-	-	-	2,307
<b>Total receipts</b>	<u>1,230,235</u>	<u>1,023,100</u>	<u>1,184,750</u>	<u>739,458</u>	<u>8,625,911</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	1,015,785	858,303	528,918	551,975	6,175,494
Support services	127,106	135,010	506,618	175,291	2,389,422
Facilities acquisition and construction	-	-	88,559	6,196	94,755
Nonprogrammed charges	-	-	-	27,936	152,580
<b>Total disbursements</b>	<u>1,142,891</u>	<u>993,313</u>	<u>1,124,095</u>	<u>761,398</u>	<u>8,812,251</u>
Excess (deficiency) of receipts over disbursements	<u>87,344</u>	<u>29,787</u>	<u>60,655</u>	<u>(21,940)</u>	<u>(186,340)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	9,337	-	13,151	330,748
Transfers out	-	-	-	(13,151)	(330,748)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>9,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>87,344</u>	<u>39,124</u>	<u>60,655</u>	<u>(21,940)</u>	<u>(186,340)</u>
Cash and investments - beginning	-	-	-	134,718	1,751,114
Cash and investments - ending	<u>\$ 87,344</u>	<u>\$ 39,124</u>	<u>\$ 60,655</u>	<u>\$ 112,778</u>	<u>\$ 1,564,774</u>
<b>Cash and Investment Assets - Ending</b>					
Total cash and investment assets - ending	<u>\$ 87,344</u>	<u>\$ 39,124</u>	<u>\$ 60,655</u>	<u>\$ 112,778</u>	<u>\$ 1,564,774</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Total cash and investment fund balance - ending	<u>\$ 87,344</u>	<u>\$ 39,124</u>	<u>\$ 60,655</u>	<u>\$ 112,778</u>	<u>\$ 1,564,774</u>

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 7,819	
Deductions:		
Administrative and general	8,000	
Deficiency of total additions over total deductions	(181)	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ (181)	\$ 44,151
Net assets:		
Cash and investments	\$ (181)	\$ 44,151
Total net assets - cash and investment basis held in trust	\$ (181)	\$ 44,151

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 6,499	
Deductions:		
Administrative and general	6,318	
Excess of total additions over total deductions	181	
Cash and investment fund balance - beginning	(181)	
Cash and investment fund balance - ending	\$ -	\$ 38,632
Net assets:		
Cash and investments	\$ -	\$ 38,632
Total net assets - cash and investment basis held in trust	\$ -	\$ 38,632

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Madison Area Educational Special Services Unit is a joint venture established under the provisions of the Interlocal Cooperation Act (Indiana 31-1.7). The School Corporation operates under a Board of Directors consisting of the chief administrative officers of the following participating entities:

Madison Consolidated School Corporation  
Scott County School District 1  
Scott County School District 2  
Southwestern Jefferson County Consolidated Schools  
Switzerland County School Corporation

The School Corporation provides educational services for handicapped children with special needs.

The School Corporation's financial reporting entity is composed of the primary government; there are no significant component units.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The School Corporation reports the following major governmental funds:

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

The preschool special education fund is used to account for funds received from member schools that are billed for services performed in the education of Preschool Special Education students.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

The special education funds, Special Education PIE FY 08/09 14209-038-PN01; FY 2008 Part B Carry Over 08/09 14208-038-PY02; Special Education PIE FY 09/10 14210-038-PN01; FY 2009 PIE Part B Carry Over 09/10 14209-038-PY02; and Special Education Part B Stimulus 33310-038-SN01, are used to account for federal grants and distributions for programs for the education of special needs students.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust funds report a trust arrangement under which principal and income benefits the students.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation. However the School Corporation does not have any Restricted Assets at this time.

2. Cash and Investments

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

3. Capital Assets

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes. However, the School Corporation does not have any program receipts at this time.

F. Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end unless otherwise provided by statute or following proper encumbrance procedures.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The School Board of Director's considers a proposed operating budget for the year commencing the following January 1<sup>st</sup>. No later than September 20<sup>th</sup> of each year, the School Board of Director's, through the passage of a resolution, adopts the budget for the next year

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the School Board of Director's.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$1,737,996.

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

2. Investments

Statutory Authorization for Investments

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

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
Preschool Special Education Special Education PIE FY 08/09 14209-038-PN01	General Fund	\$ -	\$ 291,611
	FY 2009 PIE Part B Carry Over 09/10 14209-038-PY02	-	9,337
Other Governmental Funds	General Fund	16,650	-
Other Governmental Funds	FY 2008 Part B Carry Over 08/09 14208-038-PY02	735	-
Special Education PIE FY 08/09 14209-038-PN01	General Fund	-	16,649
Other Governmental Funds	Other Governmental Funds	-	13,151
Totals		<u>\$ 17,385</u>	<u>\$ 330,748</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Termination Benefits

During the current year, the School Corporation offered to certified and administrative staff who would like to retire early, termination benefits. Individuals would have to have attained the age of 55 with at least 15 years of service and not reached the age of 62. The benefits are based on the year of retirement and start at \$4,500 and decreased by 25% per year until the end of the 2012-2013 school year. Those retiring in the 2013-2014 school year would receive no termination benefits. These benefits are paid for a period of up to 7 years or, until the employee reaches the age of 62, or the employee passes away. Currently, 4 employees have chosen to retire and have met these eligibility requirements. Disbursements for termination benefits are recognized on a pay-as-you-go basis. During the years ended June 30, 2009, and June 30, 2010, the School Corporation disbursed \$13,500 and \$16,875, respectively.

C. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance for a single premium plan benefit, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 3 retirees meet these eligibility requirements. The School Corporation and the retirees provide 99.99% and .01%, respectively, of these postemployment benefits. During the years ended June 30, 2009, and June 30, 2010, the School Corporation disbursed \$14,168 and \$26,591, respectively.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$241,960.

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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.

The School Corporation's contributions to the plan during the period were \$306,590.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009

	Christi Grooms Memorial	Large Print Production Facility 08/09 14208-014-DY30	PATINS 08/09 14208-015-DY14	FY 2008 Part B Pass Through 14208-038-PN01	FY 2007 Part B Carry Over 14207-038-PY02	2007-2008 Targeted Funds 14207-027-DY29	2007-2008 Targeted Funds 14207-028-DY13
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	367,060	90,000	25,000	179,255	347,381	24,110
<b>Total receipts</b>	<b>-</b>	<b>367,060</b>	<b>90,000</b>	<b>25,000</b>	<b>179,255</b>	<b>347,381</b>	<b>24,110</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	353,253	-	121,438	207,075	319,345	-
Support services	-	-	79,320	17,386	57,177	-	28,686
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	27,927	61,734	18,425	3,110
<b>Total disbursements</b>	<b>-</b>	<b>353,253</b>	<b>79,320</b>	<b>166,751</b>	<b>325,986</b>	<b>337,770</b>	<b>31,796</b>
Excess (deficiency) of receipts over disbursements	-	13,807	10,680	(141,751)	(146,731)	9,611	(7,686)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(17,385)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,385)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	13,807	10,680	(159,136)	(146,731)	9,611	(7,686)
Cash and investments - beginning	25	-	-	159,136	146,731	(9,611)	7,686
Cash and investments - ending	<u>\$ 25</u>	<u>\$ 13,807</u>	<u>\$ 10,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>							
Total cash and investment assets - ending	<u>\$ 25</u>	<u>\$ 13,807</u>	<u>\$ 10,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Total cash and investment fund balance - ending	<u>\$ 25</u>	<u>\$ 13,807</u>	<u>\$ 10,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Special Education Preschool PIP FY 08/09 45709-038-PN01	Special Education Preschool PIP Carry Over 08/09 45708-038-PY02	FY 2008 Preschool Pass Through 45708-038-PN01	FY 2007 Preschool Carry Over 45707-038-PY02	Capital Projects	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 73,872	\$ 73,872
Federal sources	54,430	36,685	2,537	-	-	1,126,458
<b>Total receipts</b>	<b>54,430</b>	<b>36,685</b>	<b>2,537</b>	<b>-</b>	<b>73,872</b>	<b>1,200,330</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	35,451	32,414	1,648	6,148	-	1,076,772
Support services	5,594	1,325	-	396	58,818	248,702
Facilities acquisition and construction	-	-	-	-	19,173	19,173
Nonprogrammed charges	-	-	2,201	2,116	-	115,513
<b>Total disbursements</b>	<b>41,045</b>	<b>33,739</b>	<b>3,849</b>	<b>8,660</b>	<b>77,991</b>	<b>1,460,160</b>
Excess (deficiency) of receipts over disbursements	13,385	2,946	(1,312)	(8,660)	(4,119)	(259,830)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(17,385)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,385)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,385	2,946	(1,312)	(8,660)	(4,119)	(277,215)
Cash and investments - beginning	-	-	1,312	8,660	97,994	411,933
Cash and investments - ending	<u>\$ 13,385</u>	<u>\$ 2,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,875</u>	<u>\$ 134,718</u>
<b>Cash and Investment Assets - Ending</b>						
Total cash and investment assets - ending	<u>\$ 13,385</u>	<u>\$ 2,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,875</u>	<u>\$ 134,718</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Total cash and investment fund balance - ending	<u>\$ 13,385</u>	<u>\$ 2,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,875</u>	<u>\$ 134,718</u>

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010

	Christi Grooms Memorial	Large Print Production Facility 09/10 14209-020-DY31	Large Print Production Facility 08/09 14208-014-DY30	PATINS 08/09 14208-015-DY14	PATINS 09/10 14209-022-DY15	Special Education Preschool PIP FY 08/09 45709-038-PN01
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ 251	\$ 74	\$ -	\$ -
Federal sources	-	300,000	148,827	20,000	110,000	1,100
<b>Total receipts</b>	<b>-</b>	<b>300,000</b>	<b>149,078</b>	<b>20,074</b>	<b>110,000</b>	<b>1,100</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	291,037	142,359	-	-	-
Support services	-	-	-	26,413	95,938	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	20,526	4,341	-	1,334
<b>Total disbursements</b>	<b>-</b>	<b>291,037</b>	<b>162,885</b>	<b>30,754</b>	<b>95,938</b>	<b>1,334</b>
Excess (deficiency) of receipts over disbursements	-	8,963	(13,807)	(10,680)	14,062	(234)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(13,151)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,151)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,963	(13,807)	(10,680)	14,062	(13,385)
Cash and investments - beginning	25	-	13,807	10,680	-	13,385
Cash and investments - ending	<u>\$ 25</u>	<u>\$ 8,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,062</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Total cash and investment assets - ending	<u>\$ 25</u>	<u>\$ 8,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,062</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Total cash and investment fund balance - ending	<u>\$ 25</u>	<u>\$ 8,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,062</u>	<u>\$ -</u>

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010  
 (Continued)

	Special Education Preschool PIP Carry Over 08/09 45708-038-PY02	Special Education Preschool PIP FY 09/10 45710-031-PN01	Special Education Preschool PIP Carry Over 09/10 45709-038-PY02	Special Education Preschool Stimulus 44410-038-SN01	Capital Projects	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 60,449	\$ 60,774
Federal sources	5,277	30,780	31,200	31,500	-	678,684
<b>Total receipts</b>	<b>5,277</b>	<b>30,780</b>	<b>31,200</b>	<b>31,500</b>	<b>60,449</b>	<b>739,458</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	6,422	30,636	43,163	27,011	11,347	551,975
Support services	66	-	-	-	52,874	175,291
Facilities acquisition and construction	-	-	-	-	6,196	6,196
Nonprogrammed charges	1,735	-	-	-	-	27,936
<b>Total disbursements</b>	<b>8,223</b>	<b>30,636</b>	<b>43,163</b>	<b>27,011</b>	<b>70,417</b>	<b>761,398</b>
Excess (deficiency) of receipts over disbursements	(2,946)	144	(11,963)	4,489	(9,968)	(21,940)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	13,151	-	-	13,151
Transfers out	-	-	-	-	-	(13,151)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>13,151</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,946)	144	1,188	4,489	(9,968)	(21,940)
Cash and investments - beginning	2,946	-	-	-	93,875	134,718
Cash and investments - ending	\$ -	\$ 144	\$ 1,188	\$ 4,489	\$ 83,907	\$ 112,778
<b>Cash and Investment Assets - Ending</b>						
Total cash and investment assets - ending	\$ -	\$ 144	\$ 1,188	\$ 4,489	\$ 83,907	\$ 112,778
<b>Cash and Investment Fund Balance - Ending</b>						
Total cash and investment fund balance - ending	\$ -	\$ 144	\$ 1,188	\$ 4,489	\$ 83,907	\$ 112,778

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2009

	WHAS 08-09
Additions:	
Contributions:	
Other	\$ <u>7,819</u>
Deductions:	
Administrative and general	<u>8,000</u>
Excess (deficiency) of total additions over total deductions	(181)
Cash and investment fund balance - beginning	<u>-</u>
Cash and investments - June 30	<u><u>\$ (181)</u></u>
Net assets:	
Cash and investments	<u>\$ (181)</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ (181)</u></u>

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2010

	<u>WHAS 09-10</u>	<u>WHAS 08-09</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 6,318	\$ 181	\$ 6,499
Deductions:			
Administrative and general	<u>6,318</u>	<u>-</u>	<u>6,318</u>
Excess (deficiency) of total additions over total deductions	-	181	181
Cash and investment fund balance - beginning	<u>-</u>	<u>(181)</u>	<u>(181)</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:			
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2010

Capital assets are reported at actual historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 18,900
Buildings	322,211
Improvements other than buildings	76,894
Machinery and equipment	<u>461,575</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 879,580</u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE MADISON AREA EDUCATIONAL  
SPECIAL SERVICES UNIT, JEFFERSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Madison Area Educational Special Services Unit (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

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

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

STATE BOARD OF ACCOUNTS

February 14, 2011

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Special Education Cluster (IDEA) Special Education - Grants to States	84.027			
		14209-038-PN01	\$ 1,059,188	\$ 145,532
		14208-038-PY02	1,206,011	406,894
		14208-014-DY30	353,253	162,885
		14208-015-DY14	79,320	30,754
		14208-038-PN01	166,752	-
		14207-038-PY02	325,986	-
		14207-027-DY29	337,770	-
		14207-028-DY13	31,796	-
		14209-038-PY02	-	993,313
		14210-038-PN01	-	1,142,891
		14209-020-DY31	-	291,037
		14209-022-DY15	-	95,938
Total for program			<u>3,560,076</u>	<u>3,269,244</u>
Special Education - Preschool Grants	84.173			
		45709-038-PN01	41,045	1,334
		45708-038-PY02	33,739	8,223
		45708-038-PN01	3,849	-
		45707-038-PY02	8,660	-
		45710-038-PN01	-	30,636
		45709-038-PY02	-	43,163
Total for program			<u>87,293</u>	<u>83,356</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391			
		33310-038-SN01	-	1,124,095
ARRA - Special Education - Preschool Grants, Recovery Act	84.392			
		44410-038-SN01	-	27,011
Total for cluster			<u>3,647,369</u>	<u>4,503,706</u>
Total federal awards expended			<u>\$ 3,647,369</u>	<u>\$ 4,503,706</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weaknesses identified? No  
Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:  
Material weaknesses identified? No  
Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2011, with Christopher A. Trader, Treasurer/Business Manager; Connie L. Griffith, Executive Director; and Dr. Elizabeth T. Jones, President of the Board of Directors. Our audit disclosed no material items that warrant comment at this time.