

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MADISON AREA EDUCATIONAL
SPECIAL SERVICES UNIT
JEFFERSON COUNTY, INDIANA

July 1, 2010 to June 30, 2011



FILED
03/01/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Business Manager	Christopher A. Trader	07-01-10 to 06-30-12
Executive Director	Connie L. Griffith	07-01-10 to 06-30-12
President of the Board of Directors	Dr. Elizabeth T. Jones Dr. Philip Deardorff	07-01-10 to 06-30-11 07-01-11 to 06-30-12



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
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 statement of the Madison Area Educational Special Services Unit (School Corporation), for the year ended June 30, 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2012, 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis is presented for additional analysis and is not a required part of the financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis has not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, 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 9, 2012



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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 AREA EDUCATIONAL SPECIAL
SERVICES UNIT, JEFFERSON COUNTY, INDIANA

We have audited the financial statement of the Madison Area Educational Special Services Unit (School Corporation), for the year ended June 30, 2011, and have issued our report thereon dated February 9, 2012. 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 opinion on the financial statement, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, others within the entity, 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 9, 2012

FINANCIAL STATEMENT

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

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MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2011

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 948,995	\$ 4,203,840	\$ 4,005,996	\$ 7,012	\$ 1,153,851
Capital Projects	83,907	106,830	69,205	-	121,532
Rainy Day	315,878	-	-	-	315,878
Christi Grooms Memorial	25	-	-	-	25
WHAS 2010-11	-	8,500	8,500	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants 09/10	87,344	1,230,404	1,329,470	(7,012)	(18,734)
Large Print Production Facility 09/10	8,963	62,057	71,020	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants 10/11	-	904,632	1,010,790	-	(106,158)
(IDEA, Part B) LEA Capacity Building (Sliver) Grants Carry Over 09/10	39,124	267,802	306,926	-	-
PATINS 09/10	14,062	1	14,063	-	-
Special Education Preschool PIP FY 09/10	144	59,662	62,235	-	(2,429)
Special Education Preschool PIP Carry Over 09/10	1,188	26,630	27,818	-	-
Special Education Preschool PIP FY 10/11	-	457	457	-	-
Special Education - Part B Stimulus	60,655	832,950	924,734	-	(31,129)
Special Education - Part B Stimulus Preschool	4,489	53,371	58,466	-	(606)
Totals	<u>\$ 1,564,774</u>	<u>\$ 7,757,136</u>	<u>\$ 7,889,680</u>	<u>\$ -</u>	<u>\$ 1,432,230</u>

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

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

C. Cash and Investments

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

D. Receipts

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

Local sources which include revenue from local governmental units, investment income, school corporation activities, revenue from community services activities, and other revenue from local sources.

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

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

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

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

E. Disbursements

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

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

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

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

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

F. Other financing sources and uses

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

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

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

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. Prior to September 30, the governing board approves the budget for the next year.

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

Note 3. Deposits and Investments

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

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

Note 4. 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. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

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

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

Funding Policy and Annual Pension Cost

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Capital Projects	Rainy Day	Christi Grooms Memorial	WHAS 2010-11	(IDEA, Part B) LEA Capacity Building (Sliver) Grants 09/10	Large Print Production Facility 09/10	(IDEA, Part B) LEA Capacity Building (Sliver) Grants 10/11
Cash and investments - beginning	\$ 948,995	\$ 83,907	\$ 315,878	\$ 25	\$ -	\$ 87,344	\$ 8,963	\$ -
Receipts:								
Local sources	4,048,475	106,830	-	-	8,500	-	-	-
State sources	153,201	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	1,230,404	62,057	904,632
Other	2,164	-	-	-	-	-	-	-
Total receipts	4,203,840	106,830	-	-	8,500	1,230,404	62,057	904,632
Disbursements:								
Current:								
Instruction	2,802,102	-	-	-	8,500	1,031,228	50,854	985,603
Support services	1,203,894	65,643	-	-	-	245,396	8,382	25,187
Facilities acquisition and construction	-	3,562	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	52,846	11,784	-
Total disbursements	4,005,996	69,205	-	-	8,500	1,329,470	71,020	1,010,790
Excess (deficiency) of receipts over disbursements	197,844	37,625	-	-	-	(99,066)	(8,963)	(106,158)
Other financing sources (uses):								
Transfers in	7,012	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(7,012)	-	-
Total other financing sources (uses)	7,012	-	-	-	-	(7,012)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	204,856	37,625	-	-	-	(106,078)	(8,963)	(106,158)
Cash and investments - ending	\$ 1,153,851	\$ 121,532	\$ 315,878	\$ 25	\$ -	\$ (18,734)	\$ -	\$ (106,158)

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants Carry Over 09/10	PATINS 09/10	Special Education Preschool PIP FY 09/10	Special Education Preschool PIP Carry Over 09/10	Special Education Preschool PIP FY 10/11	Special Education Part B Stimulus	Special Education Part B Stimulus Preschool	Totals
Cash and investments - beginning	\$ 39,124	\$ 14,062	\$ 144	\$ 1,188	\$ -	\$ 60,655	\$ 4,489	\$ 1,564,774
Receipts:								
Local sources	2	-	-	-	-	8	-	4,163,815
State sources	-	-	-	-	-	-	-	153,201
Federal sources	267,800	1	59,662	26,630	457	832,942	53,371	3,437,956
Other	-	-	-	-	-	-	-	2,164
Total receipts	267,802	1	59,662	26,630	457	832,950	53,371	7,757,136
Disbursements:								
Current:								
Instruction	208,247	-	60,814	24,671	457	500,947	21,103	5,694,526
Support services	50,456	9,817	-	-	-	423,787	13,111	2,045,673
Facilities acquisition and construction	-	-	-	-	-	-	24,252	27,814
Nonprogrammed charges	48,223	4,246	1,421	3,147	-	-	-	121,667
Total disbursements	306,926	14,063	62,235	27,818	457	924,734	58,466	7,889,680
Excess (deficiency) of receipts over disbursements	(39,124)	(14,062)	(2,573)	(1,188)	-	(91,784)	(5,095)	(132,544)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	7,012
Transfers out	-	-	-	-	-	-	-	(7,012)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(39,124)	(14,062)	(2,573)	(1,188)	-	(91,784)	(5,095)	(132,544)
Cash and investments - ending	\$ -	\$ -	\$ (2,429)	\$ -	\$ -	\$ (31,129)	\$ (606)	\$ 1,432,230

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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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 program for the year ended June 30, 2011. The School Corporation's major federal program is 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 program 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 its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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 on compliance 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.

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)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, 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 9, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011

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
<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-PY02	\$ 306,924
		14210-038-PN01	1,310,733
		14209-020-DY31	71,021
		14209-022-DY15	14,062
		14211-038-PN01	<u>904,628</u>
Total for program			<u>2,607,368</u>
Special Education - Preschool Grants	84.173		
		45709-038-PY02	27,817
		45710-038-PN01	59,808
		45711-038-PN01	<u>457</u>
Total for program			<u>88,082</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391		
		33310-038-SN01	<u>893,598</u>
ARRA - Special Education - Preschool Grants, Recovery Act	84.392		
		44410-038-SN01	<u>57,859</u>
Total for cluster			<u>3,646,907</u>
Total federal awards expended			<u>\$ 3,646,907</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 Education Special Service Unit (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	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 Program:

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? no

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 9, 2012, with Dr. Philip Deardorff, President of the Board of Directors; and Christopher A. Trader, Treasurer/Business Manager. Our audit disclosed no material items that warrant comment at this time.