

**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, 2011 to June 30, 2013



**FILED**  
07/18/2014



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	6-7
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	11
Notes to Financial Statement.....	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis.....	18-21
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	24-25
Schedule of Expenditures of Federal Awards .....	29
Note to Schedule of Expenditures of Federal Awards.....	30
Schedule of Findings and Questioned Costs .....	31-32
Auditee Prepared Schedule:	
Corrective Action Plan.....	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Business Manager	Christopher A. Trader	07-01-11 to 06-30-14
Executive Director	Connie L. Griffith (Deceased) (Vacant) Susan Jacobs (Interim)	07-01-11 to 01-12-14 01-13-14 to 03-03-14 03-04-14 to 06-30-14
President of the Board of Directors	Dr. Philip Deardorff Berley Goodin Stephen C. Telfer	07-01-11 to 06-30-12 07-01-12 to 06-30-13 07-01-13 to 06-30-14



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

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Madison Area Educational Special Services Unit (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.


***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

April 2, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Madison Area Educational Special Services Unit (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated April 2, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.



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

***Compliance and Other Matters***


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

***Madison Area Educational Special Services Unit's Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

April 2, 2014

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## 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 Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ 1,153,851	\$ 4,188,493	\$ 4,195,084	\$ (3,990)	\$ 1,143,270	\$ 3,958,966	\$ 4,040,017	\$ 15,762	\$ 1,077,981	
Capital Projects	121,532	59,170	68,398	9,213	121,517	19,373	70,965	-	69,925	
Rainy Day	315,878	-	-	-	315,878	-	-	-	315,878	
Christi Groomes Memorial	25	-	-	-	25	-	-	-	25	
WHAS 11/12	-	9,774	9,774	-	-	-	-	-	-	
WHAS 12/13	-	-	-	-	-	17,000	17,000	-	-	
Assistive Technology Grant 11/12	-	68,838	68,838	-	-	-	-	-	-	
IDEA, Part B 09/10	(18,734)	165,903	141,946	(5,223)	-	-	-	-	-	
IDEA, Part B 10/11	(106,158)	1,518,501	1,449,710	-	(37,367)	217,082	163,953	(15,762)	-	
IDEA, Part B 11/12	-	899,086	958,687	-	(59,601)	1,514,628	1,483,589	-	(28,562)	
IDEA, Part B 12/13	-	-	-	-	-	733,553	777,040	-	(43,487)	
IDEA, Part B Preschool 09/10	(2,429)	21,081	18,652	-	-	-	-	-	-	
IDEA, Part B Preschool 10/11	-	70,609	72,607	-	(1,998)	32,609	30,611	-	-	
IDEA, Part B Preschool 11/12	-	439	439	-	-	66,202	67,798	-	(1,596)	
IDEA, Part B Preschool 12/13	-	-	-	-	-	310	310	-	-	
Special Education - Part B - (Stimulus)	(31,129)	558,585	527,456	-	-	-	-	-	-	
Special Education - Part B - Preschool (Stimulus)	(606)	9,143	8,537	-	-	-	-	-	-	
Payroll Clearing	29,976	1,499,140	1,505,443	-	23,673	1,530,107	1,522,540	-	31,240	
<b>Totals</b>	<b>\$ 1,462,206</b>	<b>\$ 9,068,762</b>	<b>\$ 9,025,571</b>	<b>\$ -</b>	<b>\$ 1,505,397</b>	<b>\$ 8,089,830</b>	<b>\$ 8,173,823</b>	<b>\$ -</b>	<b>\$ 1,421,404</b>	

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, co-operatives, 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 (IC 31-1.7). The School Corporation operates under a Board of Directors consisting of the chief administrative officers of the following participating entities:

Crothersville Community Schools  
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 accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

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

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

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

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

*E. Disbursements*

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

Instruction which includes outflows for regular programs, special programs, continuing education programs, summer school 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.

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 securities purchased and indirect costs.

*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.

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

*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.

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

**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.



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

**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 Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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 Capitol 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.

**Note 6. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of expenditures being made prior to disbursements being reimbursed from grant proceeds. These deficits are to be repaid from future receipts. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013.

Fund	Amount
IDEA, Part B 11/12	\$ 28,562
IDEA, Part B 12/13	43,487
IDEA, Part B Preshool 11/12	1,596
Total	\$ 73,645

## 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 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, 2012

	General	Capital Projects	Rainy Day	Christi Groomes Memorial	WHAS 11/12	Assitive Technology Grant 11/12	IDEA, Part B 09/10	IDEA, Part B 10/11
Cash and investments - beginning	\$ 1,153,851	\$ 121,532	\$ 315,878	\$ 25	\$ -	\$ -	\$ (18,734)	\$ (106,158)
Receipts:								
Local sources	4,028,951	59,170	-	-	9,774	-	-	-
State sources	154,041	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	68,838	165,903	1,518,501
Other	5,501	-	-	-	-	-	-	-
Total receipts	<u>4,188,493</u>	<u>59,170</u>	<u>-</u>	<u>-</u>	<u>9,774</u>	<u>68,838</u>	<u>165,903</u>	<u>1,518,501</u>
Disbursements:								
Current:								
Instruction	2,917,030	-	-	-	9,774	34,250	88,666	1,183,120
Support services	1,278,054	66,014	-	-	-	34,588	33,249	266,590
Facilities acquisition and construction	-	2,384	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	20,031	-
Total disbursements	<u>4,195,084</u>	<u>68,398</u>	<u>-</u>	<u>-</u>	<u>9,774</u>	<u>68,838</u>	<u>141,946</u>	<u>1,449,710</u>
Excess (deficiency) of receipts over disbursements	<u>(6,591)</u>	<u>(9,228)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,957</u>	<u>68,791</u>
Other financing sources (uses):								
Transfers in	5,223	9,213	-	-	-	-	-	-
Transfers out	(9,213)	-	-	-	-	-	(5,223)	-
Total other financing sources (uses)	<u>(3,990)</u>	<u>9,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,223)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(10,581)</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,734</u>	<u>68,791</u>
Cash and investments - ending	<u>\$ 1,143,270</u>	<u>\$ 121,517</u>	<u>\$ 315,878</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,367)</u>

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, 2012  
 (Continued)

	IDEA, Part B 11/12	IDEA, Part B Preschool 09/10	IDEA, Part B Preschool 10/11	IDEA, Part B Preschool 11/12	Special Education - Part B - (Stimulus)	Special Education - Part B - Preschool (Stimulus)	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (2,429)	\$ -	\$ -	\$ (31,129)	\$ (606)	\$ 29,976	\$ 1,462,206
Receipts:								
Local sources	-	-	-	-	-	-	-	4,097,895
State sources	-	-	-	-	-	-	-	154,041
Federal sources	899,086	21,081	70,609	439	558,585	9,143	-	3,312,185
Other	-	-	-	-	-	-	1,499,140	1,504,641
Total receipts	<u>899,086</u>	<u>21,081</u>	<u>70,609</u>	<u>439</u>	<u>558,585</u>	<u>9,143</u>	<u>1,499,140</u>	<u>9,068,762</u>
Disbursements:								
Current:								
Instruction	939,964	17,502	72,607	439	403,546	8,537	-	5,675,435
Support services	18,723	-	-	-	123,910	-	-	1,821,128
Facilities acquisition and construction	-	-	-	-	-	-	-	2,384
Nonprogrammed charges	-	1,150	-	-	-	-	1,505,443	1,526,624
Total disbursements	<u>958,687</u>	<u>18,652</u>	<u>72,607</u>	<u>439</u>	<u>527,456</u>	<u>8,537</u>	<u>1,505,443</u>	<u>9,025,571</u>
Excess (deficiency) of receipts over disbursements	<u>(59,601)</u>	<u>2,429</u>	<u>(1,998)</u>	<u>-</u>	<u>31,129</u>	<u>606</u>	<u>(6,303)</u>	<u>43,191</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	14,436
Transfers out	-	-	-	-	-	-	-	(14,436)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(59,601)</u>	<u>2,429</u>	<u>(1,998)</u>	<u>-</u>	<u>31,129</u>	<u>606</u>	<u>(6,303)</u>	<u>43,191</u>
Cash and investments - ending	<u>\$ (59,601)</u>	<u>\$ -</u>	<u>\$ (1,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,673</u>	<u>\$ 1,505,397</u>

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, 2013

	General	Capital Projects	Rainy Day	Christi Groomes Memorial	WHAS 12/13	IDEA, Part B 10/11	IDEA, Part B 11/12
Cash and investments - beginning	\$ 1,143,270	\$ 121,517	\$ 315,878	\$ 25	\$ -	\$ (37,367)	\$ (59,601)
Receipts:							
Local sources	3,804,030	19,373	-	-	17,000	-	-
State sources	154,125	-	-	-	-	-	-
Federal sources	-	-	-	-	-	217,082	1,514,628
Other	811	-	-	-	-	-	-
Total receipts	<u>3,958,966</u>	<u>19,373</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>217,082</u>	<u>1,514,628</u>
Disbursements:							
Current:							
Instruction	2,779,220	-	-	-	17,000	77,156	1,142,763
Support services	1,260,797	66,310	-	-	-	49,661	340,826
Facilities acquisition and construction	-	4,655	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	37,136	-
Total disbursements	<u>4,040,017</u>	<u>70,965</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>163,953</u>	<u>1,483,589</u>
Excess (deficiency) of receipts over disbursements	<u>(81,051)</u>	<u>(51,592)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,129</u>	<u>31,039</u>
Other financing sources (uses):							
Transfers in	15,762	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(15,762)	-
Total other financing sources (uses)	<u>15,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,762)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(65,289)</u>	<u>(51,592)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,367</u>	<u>31,039</u>
Cash and investments - ending	<u>\$ 1,077,981</u>	<u>\$ 69,925</u>	<u>\$ 315,878</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,562)</u>

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, 2013  
 (Continued)

	IDEA, Part B 12/13	IDEA, Part B Preschool 10/11	IDEA, Part B Preschool 11/12	IDEA, Part B Preschool 12/13	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ (1,998)	\$ -	\$ -	\$ 23,673	\$ 1,505,397
Receipts:						
Local sources	-	-	-	-	-	3,840,403
State sources	-	-	-	-	-	154,125
Federal sources	733,553	32,609	66,202	310	-	2,564,384
Other	-	-	-	-	1,530,107	1,530,918
Total receipts	<u>733,553</u>	<u>32,609</u>	<u>66,202</u>	<u>310</u>	<u>1,530,107</u>	<u>8,089,830</u>
Disbursements:						
Current:						
Instruction	766,319	29,204	67,798	310	-	4,879,770
Support services	10,721	-	-	-	-	1,728,315
Facilities acquisition and construction	-	-	-	-	-	4,655
Nonprogrammed charges	-	1,407	-	-	1,522,540	1,561,083
Total disbursements	<u>777,040</u>	<u>30,611</u>	<u>67,798</u>	<u>310</u>	<u>1,522,540</u>	<u>8,173,823</u>
Excess (deficiency) of receipts over disbursements	<u>(43,487)</u>	<u>1,998</u>	<u>(1,596)</u>	<u>-</u>	<u>7,567</u>	<u>(83,993)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	15,762
Transfers out	-	-	-	-	-	(15,762)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(43,487)</u>	<u>1,998</u>	<u>(1,596)</u>	<u>-</u>	<u>7,567</u>	<u>(83,993)</u>
Cash and investments - ending	<u>\$ (43,487)</u>	<u>\$ -</u>	<u>\$ (1,596)</u>	<u>\$ -</u>	<u>\$ 31,240</u>	<u>\$ 1,421,404</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

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

We have audited the Madison Area Educational Special Services Unit's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013.

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


***Report on Internal Control Over Compliance***

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

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

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

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

  
Paul D. Joyce, CPA  
State Examiner

April 2, 2014

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2011 and 2012

Federal Grantor Agency/ Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States	Indiana Department of Education	84.027			
			A58-2-12DL-0148	\$ 68,838	\$ -
			14210-038-PN01	165,903	-
			14211-038-PN01	1,518,501	217,082
			14212-038-PN01	899,086	1,514,628
			14213-038-PN01	-	733,553
				<u>2,652,328</u>	<u>2,465,263</u>
Total for program					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			45710-038-PN01	21,081	-
			45711-038-PN01	70,609	32,609
			45712-038-PN01	439	66,202
			45713-038-PN01	-	310
				<u>92,129</u>	<u>99,121</u>
Total for program					
ARRA - Special Education - Grants to States, Recovery Act	Indiana Department of Education	84.391	33310-038-SN01	558,585	-
ARRA - Special Education - Preschool Grants, Recovery Act	Indiana Department of Education	84.392	44410-038-SN01	9,143	-
Total for cluster				<u>3,312,185</u>	<u>2,564,384</u>
Total federal awards expended				<u>\$ 3,312,185</u>	<u>\$ 2,564,384</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 School Corporation and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 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 Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB 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
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MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section II - Financial Statement Findings***

***FINDING 2013-001 - INTERNAL CONTROLS OVER THE PREPARATION  
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

The SEFA was prepared by the Treasurer of the School Corporation but was not reviewed and verified by another employee or management of the School Corporation to determine if federal grants were properly and accurately reported.

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

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

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

No matters are reportable.



# SPECIAL SERVICES UNIT

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Director of Special Education  
2421 Wilson Ave  
Madison, Indiana 47250  
(812) 265-2720

SOUTHWESTERN JEFFERSON COUNTY  
Director of Special Education  
273 S. Main Cross  
Hanover, Indiana 47243  
(812) 866-6226

SWITZERLAND COUNTY  
Director of Special Education  
305 West Seminary Street  
Vevay, Indiana 47043  
(812) 427-2705

SCOTT COUNTY  
Director of Special Education  
145 S. Third Street  
Scottsburg, Indiana 47170  
Phone: (812) 752-8953

## FINDING 2013-001-Internal Controls Over the Preparation of the Schedule of Federal Expenditures of Federal Awards

Contact Person: Christopher A. Trader

Title: Treasurer/ Business Manager

Phone Number: 812-265-3448

The schedule of Federal Expenditures will be prepared by the Business Manager and then reviewed by a Finance Clerk before presentation to the Auditor.

Stephen C. Telfer

President of the Board of Directors

Christopher A. Trader

Treasurer/ Business Manager

Date: 4-2-14

Date: 4-2-14

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT  
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2014, with Christopher A. Trader, Treasurer/Business Manager, and Stephen C. Telfer, President of the Board of Directors. The Officials concurred with our audit findings.