

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

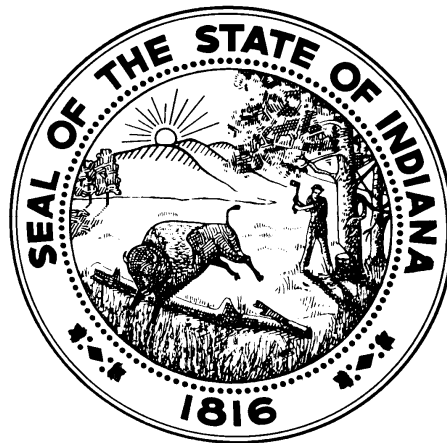
AUDIT REPORT

OF

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT

JEFFERSON COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/11/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Christopher A. Trader	07-01-06 to 06-30-09
Executive Director	Connie L. Griffith	07-01-06 to 06-30-09
President of the Board of Directors	Dr. Thomas Patterson Berley Goodin Stephen C. Telfer	07-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2007 and 2008, 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, 2007 and 2008, 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 April 24, 2009, 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, and grant agreements. 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 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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis 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

April 24, 2009



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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, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 24, 2009. 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 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 Matter

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

April 24, 2009

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets Totals</u>
Governmental activities:			
Instruction	\$ 7,068,940	\$ 600	\$ (7,068,340)
Support services	1,666,613	-	(1,666,613)
Nonprogrammed charges	<u>371,050</u>	<u>-</u>	<u>(371,050)</u>
Total governmental activities	<u>\$ 9,106,603</u>	<u>\$ 600</u>	<u>(9,106,003)</u>
General receipts:			
Other local sources			4,072,329
Grants and contributions not restricted to specific programs			4,032,293
Investment earnings			<u>153,199</u>
Total general receipts			<u>8,257,821</u>
Change in net assets			(848,182)
Net assets - beginning			<u>2,036,233</u>
Net assets - ending			<u>\$ 1,188,051</u>
<u>Assets</u>			
Cash and investments			<u>\$ 1,188,051</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 1,188,051</u>

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, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 6,506,319	\$ -	\$ 330	\$ (6,505,989)
Support services	1,869,000	150	-	(1,868,850)
Nonprogrammed charges	180,877	-	-	(180,877)
Total governmental activities	\$ 8,556,196	\$ 150	\$ 330	(8,555,716)
General receipts:				
Other local sources				4,772,288
Grants and contributions not restricted to specific programs				4,095,754
Sale of property, adjustments, and refunds				27,898
Investment earnings				61,385
Total general receipts				8,957,325
Change in net assets				401,609
Net assets - beginning				1,188,051
Net assets - ending				\$ 1,589,660
<u>Assets</u>				
Total assets				\$ 1,589,660
<u>Net Assets</u>				
Unrestricted				\$ 1,589,660

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

MADISON AREA EDUCATION SPECIAL SERVICE 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, 2007

	General	Transportation Operating	Rainy Day	FY 2006 Part B Carry Over 14206-038-PY02	FY 2005 Part B Carry Over 14205-038-PY02	Capital Projects	Other	Totals
Receipts:								
Local sources	\$ 3,765,304	\$ -	\$ -	\$ -	\$ -	\$ 13,519	\$ 294,106	\$ 4,072,929
State sources	147,077	-	-	-	-	-	6,122	153,199
Federal sources	2,358	-	-	2,086,000	397,517	-	1,546,418	4,032,293
Total receipts	3,914,739	-	-	2,086,000	397,517	13,519	1,846,646	8,258,421
Disbursements:								
Current:								
Instruction	3,197,140	-	-	1,845,009	345,555	-	1,681,236	7,068,940
Support services	1,060,399	6,373	-	100,592	13,891	238,615	246,743	1,666,613
Nonprogrammed charges	343	7,519	-	80,865	226,109	-	56,214	371,050
Total disbursements	4,257,882	13,892	-	2,026,466	585,555	238,615	1,984,193	9,106,603
Excess (deficiency) of receipts over disbursements	(343,143)	(13,892)	-	59,534	(188,038)	(225,096)	(137,547)	(848,182)
Other financing sources (uses):								
Transfers in	652	-	-	110,298	-	125,000	1,637	237,587
Transfers out	(652)	-	(125,000)	-	-	-	(111,935)	(237,587)
Total other financing sources (uses)	-	-	(125,000)	110,298	-	125,000	(110,298)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(343,143)	(13,892)	(125,000)	169,832	(188,038)	(100,096)	(247,845)	(848,182)
Cash and investments - beginning	874,958	13,892	440,878	-	188,038	162,927	355,540	2,036,233
Cash and investments - ending	\$ 531,815	\$ -	\$ 315,878	\$ 169,832	\$ -	\$ 62,831	\$ 107,695	\$ 1,188,051
Cash and Investment Assets - Ending								
Total cash and investment assets - ending	\$ 531,815	\$ -	\$ 315,878	\$ 169,832	\$ -	\$ 62,831	\$ 107,695	\$ 1,188,051
Cash and Investment Fund Balance - Ending								
Total cash and investment fund balance - ending	\$ 531,815	\$ -	\$ 315,878	\$ 169,832	\$ -	\$ 62,831	\$ 107,695	\$ 1,188,051

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

MADISON AREA EDUCATION SPECIAL SERVICE 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, 2008

	General	Rainy Day	FY 2006 Part B Carry Over 14206-038-PY02	FY 2008 Part B Pass Through 14208-038-PN01	FY 2007 Part B Carry Over 14207-038-PY02	Capital Projects	Other	Totals
Receipts:								
Local sources	\$ 4,249,545	\$ -	\$ -	\$ -	\$ -	\$ 139,593	\$ 444,685	\$ 4,833,823
State sources	147,737	-	-	-	-	-	7,042	154,779
Federal sources	27,898	-	289,041	871,350	1,872,300	-	908,614	3,969,203
Total receipts	4,425,180	-	289,041	871,350	1,872,300	139,593	1,360,341	8,957,805
Disbursements:								
Current:								
Instruction	3,004,185	-	318,957	600,711	1,537,282	-	1,045,184	6,506,319
Support services	1,239,304	-	21,464	111,503	194,164	104,430	198,135	1,869,000
Nonprogrammed charges	-	-	118,452	-	21,699	-	40,726	180,877
Total disbursements	4,243,489	-	458,873	712,214	1,753,145	104,430	1,284,045	8,556,196
Excess (deficiency) of receipts over disbursements	181,691	-	(169,832)	159,136	119,155	35,163	76,296	401,609
Other financing sources (uses):								
Transfers in	24	-	-	-	27,576	-	26,940	54,540
Transfers out	(24)	-	-	-	-	-	(54,516)	(54,540)
Total other financing sources (uses)	-	-	-	-	27,576	-	(27,576)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	181,691	-	(169,832)	159,136	146,731	35,163	48,720	401,609
Cash and investments - beginning	531,815	315,878	169,832	-	-	62,831	107,695	1,188,051
Cash and investments - ending	<u>\$ 713,506</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ 159,136</u>	<u>\$ 146,731</u>	<u>\$ 97,994</u>	<u>\$ 156,415</u>	<u>\$ 1,589,660</u>
Cash and Investment Assets - Ending								
Total cash and investment assets - ending	<u>\$ 713,506</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ 159,136</u>	<u>\$ 146,731</u>	<u>\$ 97,994</u>	<u>\$ 156,415</u>	<u>\$ 1,589,660</u>
Cash and Investment Fund Balance - Ending								
Total cash and investment fund balance - ending	<u>\$ 713,506</u>	<u>\$ 315,878</u>	<u>\$ -</u>	<u>\$ 159,136</u>	<u>\$ 146,731</u>	<u>\$ 97,994</u>	<u>\$ 156,415</u>	<u>\$ 1,589,660</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, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 12,946	
Deductions:		
Administrative and general	10,356	
Excess of total additions over total deductions	2,590	
Cash and investment fund balance - beginning	(2,590)	
Cash and investment fund balance - ending	\$ -	\$ 54,408
Net assets:		
Cash and investments	\$ -	
Total net assets - cash and investment basis held in trust	\$ -	

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

MADISON AREA EDUCATION SPECIAL SERVICES UNIT
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 12,705	
Deductions:		
Administrative and general	12,705	
Excess (deficiency) of total additions over total deductions	-	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ -	\$ 62,681
Net assets:		
Cash and investments	\$ -	
Total net assets - cash and investment basis held in trust	\$ -	

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 Code 13-1-7). The School Corporation operates under a Board of Directors consisting of the chief administrative officers of the following participating entities:

Madison Consolidated Schools
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.

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*.

Jointly Governed Organization

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 statements distinguish 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is to account for funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution.

The special education fund FY 2006 part B carry over 14206-038-PY02, FY 2005 part B carry over 14205-038-PY02, FY 2007 part B carry over 14207-038-PY02 and FY 2008 part B pass-through 14208-038-PN08 funds account for federal grants and distributions for the programs.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports 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 the School Corporation employees and serve as control of accounts for certain cash transactions during the time they are a liability of 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.

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.

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.

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

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. 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.

2. 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.

3. 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.

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.

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 and balances in the fund financial statements have been eliminated or reclassified.

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

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 and balances, if any, are 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 services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. 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.

The School Board considers a proposed operating budget for the year commencing the following January 1. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year.

The School Corporation's management cannot transfer budgeted appropriations without approval of the School Board.

B. Cash and Investment Balance Deficits

At June 30, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007-2008
2007-2008 Targeted Funds 14207-028-DY29	\$ 9,611

Cash and investment deficits arose primarily from the State not making timely reimbursements; they were not received until the following month.

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

III. Detailed Notes on All Funds

Deposits and Investments

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

B. 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 should have a stated final maturity of one day.

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.

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

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; 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; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

The agreement for the formation of the Madison Area Educational Special Services Unit is being amended. Jennings County School Corporation, Madison State Hospital, and Muscatatuck State Developmental Center will no longer participate in the joint venture cooperative. This amendment has been reviewed by all of the appropriate legal counsels and is now in the process of being reviewed by each of the remaining partners and signed.

C. Termination Benefits

During the current year, the School Corporation offered to certified teachers 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 would pay \$4,500 to each terminated employee for a period of no more than 7 years. Currently, six 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 year ended June 30, 2008, the School Corporation disbursed \$27,000.

D. 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, four retirees meet these eligibility requirements. The School Corporation and the retirees provide 99.99% and .01%, respectively, of these postemployment benefits. During the year ended June 30, 2008, the School Corporation disbursed \$24,033.

E. 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

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

beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

Annual required contribution	\$ 157,211
Interest on net pension obligation	(5,933)
Adjustment to annual required contribution	<u>6,761</u>
Annual pension cost	158,039
Contributions made	<u>96,203</u>
Increase in net pension obligation	61,836
Net pension obligation, beginning of year	<u>(81,836)</u>
Net pension obligation, end of year	<u><u>\$ (20,000)</u></u>

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

Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 83,204	114%	\$ (86,627)
	06-30-06	113,411	96%	(81,836)
	06-30-07	158,039	61%	(20,000)

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 (IC 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.

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

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 and Annual Pension Costs

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 is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$151,691, \$152,230, and \$168,826, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

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MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,870,253	\$ 1,971,643	\$ (101,390)	95%	\$ 1,976,236	(5%)
07-01-06	2,116,930	2,229,555	(112,625)	95%	2,301,591	(5%)
07-01-07	2,332,207	2,266,905	65,302	103%	1,827,844	4%

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, 2007

	Pre School Special Education	Christi Grooms Memorial	FY 2007 Part B Pass Through 14207-038-PN01	2006-2007 Targeted Funds 14206-037-DY28	FY 2006 Part B Pass Through 14206-038-PN01	2006-2007 Targeted Funds 14206-036-DY12	2005-2006 Targeted Funds 14205-086-DY27
Receipts:							
Local sources	\$ 292,881	\$ 1,225	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	6,122	-	-	-	-	-	-
Federal sources	3,135	-	389,500	408,887	289,000	81,497	219,352
Total receipts	302,138	1,225	389,500	408,887	289,000	81,497	219,352
Disbursements:							
Current:							
Instruction	323,969	-	312,463	402,296	303,527	8,298	190,334
Support services	65,531	-	49,917	701	32,229	65,490	24,486
Nonprogrammed charges	-	-	-	-	-	-	44,771
Total disbursements	389,500	-	362,380	402,997	335,756	73,788	259,591
Excess (deficiency) of receipts over disbursements	(87,362)	1,225	27,120	5,890	(46,756)	7,709	(40,239)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(110,298)	-	-
Total other financing sources (uses)	-	-	-	-	(110,298)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(87,362)	1,225	27,120	5,890	(157,054)	7,709	(40,239)
Cash and investments - beginning	142,114	-	-	-	157,054	-	40,239
Cash and investments - ending	\$ 54,752	\$ 1,225	\$ 27,120	\$ 5,890	\$ -	\$ 7,709	\$ -
Cash and Investment Assets - Ending							
Total cash and investment assets - ending	\$ 54,752	\$ 1,225	\$ 27,120	\$ 5,890	\$ -	\$ 7,709	\$ -
Cash and Investment Fund Balance - Ending							
Total cash and investment fund balance - ending	\$ 54,752	\$ 1,225	\$ 27,120	\$ 5,890	\$ -	\$ 7,709	\$ -

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

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, 2007
 (Continued)

	2005-2006 LEA Capacity Building 14205-038-DY01	FY 2005 Preschool Carry Over 45705-038-PY02	FY 2006 Preschool Pass Through 45706-038-PN01	FY 2006 Preschool Carry Over 45706-038-PY02	FY 2007 Preschool Pass Through 45707-038-PN01	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,106
State sources	-	-	-	-	-	6,122
Federal sources	7,850	-	4,400	99,815	42,982	1,546,418
Total receipts	7,850	-	4,400	99,815	42,982	1,846,646
Disbursements:						
Current:						
Instruction	2,885	4,029	-	100,308	33,127	1,681,236
Support services	8,389	-	-	-	-	246,743
Nonprogrammed charges	-	8,308	3,135	-	-	56,214
Total disbursements	11,274	12,337	3,135	100,308	33,127	1,984,193
Excess (deficiency) of receipts over disbursements	(3,424)	(12,337)	1,265	(493)	9,855	(137,547)
Other financing sources (uses):						
Transfers in	-	-	-	1,637	-	1,637
Transfers out	-	-	(1,637)	-	-	(111,935)
Total other financing sources (uses)	-	-	(1,637)	1,637	-	(110,298)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,424)	(12,337)	(372)	1,144	9,855	(247,845)
Cash and investments - beginning	3,424	12,337	372	-	-	355,540
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,144	\$ 9,855	\$ 107,695
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ -	\$ -	\$ -	\$ 1,144	\$ 9,855	\$ 107,695
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ 1,144	\$ 9,855	\$ 107,695

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

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, 2008

	Pre School Special Education	Christi Grooms Memorial	Mini Grant For Camp Moodle 2007	FY 2007 Part B Pass Through 14207-038-PN01	2006-2007 Targeted Funds 14206-037-DY28	2006-2007 Targeted Funds 14206-036-DY12	2007-2008 Targeted Funds 14207-027-DY29
Receipts:							
Local sources	\$ 444,509	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 151
State sources	5,192	-	1,850	-	-	-	-
Federal sources	-	-	-	63,000	288,600	23,703	307,300
Total receipts	449,701	25	1,850	63,000	288,600	23,703	307,451
Disbursements:							
Current:							
Instruction	289,094	1,225	89	56,349	265,736	3,723	295,211
Support services	67,016	-	1,761	6,195	-	23,108	21,851
Nonprogrammed charges	-	-	-	-	28,754	4,581	-
Total disbursements	356,110	1,225	1,850	62,544	294,490	31,412	317,062
Excess (deficiency) of receipts over disbursements	93,591	(1,200)	-	456	(5,890)	(7,709)	(9,611)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	20,227
Transfers out	-	-	-	(27,576)	-	-	(20,227)
Total other financing sources (uses)	-	-	-	(27,576)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,591	(1,200)	-	(27,120)	(5,890)	(7,709)	(9,611)
Cash and investments - beginning	54,752	1,225	-	27,120	5,890	7,709	-
Cash and investments - ending	<u>\$ 148,343</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,611)</u>
Cash and Investment Assets - Ending							
Total cash and investment assets - ending	<u>\$ 148,343</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,611)</u>
Cash and Investment Fund Balance - Ending							
Total cash and investment fund balance - ending	<u>\$ 148,343</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,611)</u>

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

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, 2008
 (Continued)

	2007-2008 Targeted Funds 14207-028-DY13	FY 2006 Preschool Carry Over 45706-038-PY02	FY 2007 Preschool Pass Through 45707-038-PN01	FY 2008 Preschool Pass Through 45708-038-PN01	FY 2007 Preschool Carry Over 45707-038-PY02	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 444,685
State sources	-	-	-	-	-	7,042
Federal sources	85,890	5,644	-	67,372	67,105	908,614
Total receipts	85,890	5,644	-	67,372	67,105	1,360,341
Disbursements:						
Current:						
Instruction	-	1,505	7,500	66,060	58,692	1,045,184
Support services	78,204	-	-	-	-	198,135
Nonprogrammed charges	-	5,283	2,108	-	-	40,726
Total disbursements	78,204	6,788	9,608	66,060	58,692	1,284,045
Excess (deficiency) of receipts over disbursements	7,686	(1,144)	(9,608)	1,312	8,413	76,296
Other financing sources (uses):						
Transfers in	-	-	-	6,219	494	26,940
Transfers out	-	-	(247)	(6,219)	(247)	(54,516)
Total other financing sources (uses)	-	-	(247)	-	247	(27,576)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,686	(1,144)	(9,855)	1,312	8,660	48,720
Cash and investments - beginning	-	1,144	9,855	-	-	107,695
Cash and investments - ending	\$ 7,686	\$ -	\$ -	\$ 1,312	\$ 8,660	\$ 156,415
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 7,686	\$ -	\$ -	\$ 1,312	\$ 8,660	\$ 156,415
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ 7,686	\$ -	\$ -	\$ 1,312	\$ 8,660	\$ 156,415

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

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, 2007

	WHAS 06-07	WHAS 05-06	Totals
Additions:			
Contributions:			
Other	\$ 10,356	\$ 2,590	\$ 12,946
Deductions:			
Administrative and general	10,356	-	10,356
Excess of total additions over total deductions	-	2,590	2,590
Cash and investment fund balance - beginning	-	(2,590)	(2,590)
Cash and investments - June 30	\$ -	\$ -	\$ -
Net assets:			
Cash and investments	\$ -	\$ -	\$ -
Total net assets - cash and investment basis held in trust	\$ -	\$ -	\$ -

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, 2008

	<u>American Legion Donation</u>	<u>WHAS 07-08</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 205	\$ 12,500	\$ 12,705
Deductions:			
Administrative and general	<u>205</u>	<u>12,500</u>	<u>12,705</u>
Excess (deficiency) of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</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, 2008

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	25,195
Machinery and equipment	<u>354,921</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 721,227</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2007 and 2008. 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 programs for the years ended June 3, 2007 and 2008.

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

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 major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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

April 24, 2009

MADISON AREA EDUCATIONAL SPECIAL SERVICES UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States				
	84.027			
		14206-038-PY02	\$ 2,026,466	\$ 458,873
		14207-038-PN01	362,380	62,544
		14206-037-DY28	402,997	294,490
		14206-038-PN01	335,756	-
		14206-036-DY12	73,788	31,412
		14205-038-PY02	585,555	-
		14205-086-DY27	259,591	-
		14205-038-DY01	11,274	-
		14208-038-PN01	-	712,214
		14207-038-PY02	-	1,753,145
		14207-027-DY29	-	317,062
		14207-028-DY13	-	78,204
			<u>4,057,807</u>	<u>3,707,944</u>
Total for program				
	84.173			
Special Education - Preschool Grants				
		45705-038-PY02	12,337	-
		45706-038-PN01	3,135	-
		45706-038-PY02	100,306	6,788
		45707-038-PN01	33,127	9,608
		45708-038-PN01	-	66,060
		45707-038-PY02	-	58,692
			<u>148,905</u>	<u>141,148</u>
Total for program				
Total for cluster			<u>4,206,712</u>	<u>3,849,092</u>
Total federal awards expended			<u>\$ 4,206,712</u>	<u>\$ 3,849,092</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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the School Corporation 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:

CFDA Number	Name of Federal Program or Cluster
N/A	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 April 24, 2009, with Christopher A. Trader, Treasurer; Connie L. Griffith, Executive Director; and Stephen C. Telfer, President of the Board of Directors. Our audit disclosed no material items that warrant comment at this time.