

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

EXAMINATION REPORT  
OF  
SOUTHEAST NEIGHBORHOOD  
SCHOOL OF EXCELLENCE  
MARION COUNTY, INDIANA  
July 1, 2005 to June 30, 2007



**FILED**

05/19/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donna Bradshaw	07-01-05 to 06-30-08
Executive Director	J. C. Lasmanis	07-01-05 to 06-30-08
President of the School Board	Lee Lewellen Steve Hyatt	07-01-05 to 06-30-07 07-01-07 to 06-30-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SOUTHEAST NEIGHBORHOOD  
SCHOOL OF EXCELLENCE, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the Southeast Neighborhood School of Excellence (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 10, 2008

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 560,438	\$ -	\$ 1,555	\$ (558,883)
Support services	886,566	7,966	54,023	(824,577)
Community services	841	-	-	(841)
Debt service	158,407	-	-	(158,407)
<u>Total governmental activities</u>	<u>\$ 1,606,252</u>	<u>\$ 7,966</u>	<u>\$ 55,578</u>	<u>(1,542,708)</u>
General receipts:				
Property taxes				303,446
Other local sources				56,722
State aid				571,408
Loans				417,092
Grants and contributions not restricted to specific programs				245,950
<u>Total general receipts</u>				<u>1,594,618</u>
Change in net assets				51,910
Net assets - beginning				98,918
Net assets - ending				<u>\$ 150,828</u>
<u>Assets</u>				
Cash and investments				<u>\$ 150,828</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 150,828</u>

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE 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</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 763,454	\$ -	\$ 34,158	\$ (729,296)
Support services	1,096,981	1,993	97,845	(997,143)
Community services	637	-	-	(637)
Nonprogrammed charges	858	-	-	(858)
Debt service	166,100	-	-	(166,100)
	\$ 2,028,030	\$ 1,993	\$ 132,003	(1,894,034)
General receipts:				
Property taxes				321,517
Other local sources				72,437
State aid				836,947
Loans				438,106
Grants and contributions not restricted to specific programs				155,868
Sale of property, adjustments, and refunds				920
Total general receipts				1,825,795
Change in net assets				(68,239)
Net assets - beginning				150,828
Net assets - ending				\$ 82,589
<u>Assets</u>				
Cash and investments				\$ 82,589
<u>Net Assets</u>				
Unrestricted				\$ 82,589

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE 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, 2006

	General	Federal Start-Up Grant	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 360,168	\$ -	\$ 7,966	\$ 368,134
State sources	572,963	-	9,223	582,186
Federal sources	-	135,000	155,750	290,750
	<u>933,131</u>	<u>135,000</u>	<u>172,939</u>	<u>1,241,070</u>
<b>Disbursements:</b>				
Current:				
Instruction	439,937	9,668	110,833	560,438
Support services	754,686	13,767	118,113	886,566
Community services	-	-	841	841
Debt services	158,407	-	-	158,407
	<u>1,353,030</u>	<u>23,435</u>	<u>229,787</u>	<u>1,606,252</u>
Excess (deficiency) of receipts over disbursements	<u>(419,899)</u>	<u>111,565</u>	<u>(56,848)</u>	<u>(365,182)</u>
<b>Other financing sources (uses):</b>				
Transfers in	59,988	-	49,073	109,061
Transfers out	-	(103,555)	(5,506)	(109,061)
Loans	417,092	-	-	417,092
	<u>477,080</u>	<u>(103,555)</u>	<u>43,567</u>	<u>417,092</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	57,181	8,010	(13,281)	51,910
Cash and investments - beginning	<u>23,597</u>	<u>125,515</u>	<u>(50,194)</u>	<u>98,918</u>
Cash and investments - ending	<u>\$ 80,778</u>	<u>\$ 133,525</u>	<u>\$ (63,475)</u>	<u>\$ 150,828</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	<u>\$ 80,778</u>	<u>\$ 133,525</u>	<u>\$ (63,475)</u>	<u>\$ 150,828</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Unrestricted	<u>\$ 80,778</u>	<u>\$ 133,525</u>	<u>\$ (63,475)</u>	<u>\$ 150,828</u>

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE 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	Title I FY 2006-2007	Federal Start-Up Grant	Other	Totals
Receipts:					
Local sources	\$ 393,954	\$ -	\$ -	\$ 1,993	\$ 395,947
State sources	871,105	-	-	7,509	878,614
Federal sources	-	141,730	-	104,474	246,204
Sale of property, adjustments and refunds	920	-	-	-	920
<b>Total receipts</b>	<b>1,265,979</b>	<b>141,730</b>	<b>-</b>	<b>113,976</b>	<b>1,521,685</b>
Disbursements:					
Current:					
Instruction	587,130	118,821	45,752	11,751	763,454
Support services	1,006,294	16,854	40,988	32,845	1,096,981
Community services	105	-	-	532	637
Nonprogrammed charges	858	-	-	-	858
Debt services	166,100	-	-	-	166,100
<b>Total disbursements</b>	<b>1,760,487</b>	<b>135,675</b>	<b>86,740</b>	<b>45,128</b>	<b>2,028,030</b>
Excess (deficiency) of receipts over disbursements	(494,508)	6,055	(86,740)	68,848	(506,345)
Other financing sources (uses):					
Transfers in	15,302	4,212	-	-	19,514
Transfers out	-	-	(15,302)	(4,212)	(19,514)
Loans	438,106	-	-	-	438,106
<b>Total other financing sources (uses)</b>	<b>453,408</b>	<b>4,212</b>	<b>(15,302)</b>	<b>(4,212)</b>	<b>438,106</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(41,100)	10,267	(102,042)	64,636	(68,239)
Cash and investments - beginning	80,778	-	133,525	(63,475)	150,828
Cash and investments - ending	<u>\$ 39,678</u>	<u>\$ 10,267</u>	<u>\$ 31,483</u>	<u>\$ 1,161</u>	<u>\$ 82,589</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	<u>\$ 39,678</u>	<u>\$ 10,267</u>	<u>\$ 31,483</u>	<u>\$ 1,161</u>	<u>\$ 82,589</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Unrestricted	<u>\$ 39,678</u>	<u>\$ 10,267</u>	<u>\$ 31,483</u>	<u>\$ 1,161</u>	<u>\$ 82,589</u>

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

	<u>Agency Funds</u>
Net assets:	
Cash and investments	\$ <u>(1,658)</u>
Total net assets - cash and investment basis - held in trust	\$ <u><u>(1,658)</u></u>

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
SCHEDULE OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	<u>Agency Funds</u>
Net assets:	
Cash and investments	\$ <u>(305)</u>
Total net assets - cash and investment basis - held in trust	\$ <u><u>(305)</u></u>

The accompanying notes are an integral part of the financial information.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules 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, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds are reported as separate columns in the fund financial schedules.

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 title I fy 2006-2007 fund accounts for the federal grant distributions and disbursements for the title I program for fiscal year 2006-2007.

The federal start-up grant fund accounts for the federal grant distributions received from the implementation grant from the department of education and the related program disbursements.

Agency funds account for assets held by the School Corporation as an agent for the federal government, state government, and various employee insurance companies.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

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

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 proprietary funds.

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.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. A delay in the approval of taxable

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

property assessments resulted in the May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

Note 4. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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 5. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>2006</u>	<u>2007</u>
General Fund	Federal Start-Up Grant Fund	\$ 59,988	\$ 15,302
Title I, FY 2006-2007	Other governmental funds	-	4,212
Other governmental funds	Federal Start-Up Grant Fund	43,567	-
Other governmental funds	Other governmental funds	5,506	-
Totals		<u>\$ 109,061</u>	<u>\$ 19,514</u>

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this 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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

consists of members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

B. 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 members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy 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.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
 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, 2006

	School Lunch	Textbook Rental	Donations Gifts and Trusts	Title I FY 2004-2005	Title I FY 2005-2006	Totals
<b>Receipts:</b>						
Local sources	\$ 7,966	\$ -	\$ -	\$ -	\$ -	\$ 7,966
State sources	295	8,928	-	-	-	9,223
Federal sources	<u>44,800</u>	<u>-</u>	<u>-</u>	<u>30,600</u>	<u>80,350</u>	<u>155,750</u>
Total receipts	<u>53,061</u>	<u>8,928</u>	<u>-</u>	<u>30,600</u>	<u>80,350</u>	<u>172,939</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	11,608	28,829	20,590	49,806	110,833
Support services	80,790	-	11,276	4,504	21,543	118,113
Community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>841</u>	<u>841</u>
Total disbursements	<u>80,790</u>	<u>11,608</u>	<u>40,105</u>	<u>25,094</u>	<u>72,190</u>	<u>229,787</u>
Excess (deficiency) of receipts over disbursements	<u>(27,729)</u>	<u>(2,680)</u>	<u>(40,105)</u>	<u>5,506</u>	<u>8,160</u>	<u>(56,848)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	43,567	-	5,506	49,073
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,506)</u>	<u>-</u>	<u>(5,506)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>43,567</u>	<u>(5,506)</u>	<u>5,506</u>	<u>43,567</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(27,729)</u>	<u>(2,680)</u>	<u>3,462</u>	<u>-</u>	<u>13,666</u>	<u>(13,281)</u>
Cash and investments - beginning	<u>(42,106)</u>	<u>(4,626)</u>	<u>(3,462)</u>	<u>-</u>	<u>-</u>	<u>(50,194)</u>
Cash and investments - ending	<u>\$ (69,835)</u>	<u>\$ (7,306)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,666</u>	<u>\$ (63,475)</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ (69,835)</u>	<u>\$ (7,306)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,666</u>	<u>\$ (63,475)</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ (69,835)</u>	<u>\$ (7,306)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,666</u>	<u>\$ (63,475)</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
 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

	Special Education Preschool	School Lunch	Textbook Rental	Donations Gifts and Trusts	Title I FY 2005-2006	Challenge Technology Grant	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ 1,993	\$ -	\$ -	\$ -	\$ -	\$ 1,993
State sources	1,375	211	5,923	-	-	-	7,509
Federal sources	-	91,711	-	-	11,594	1,169	104,474
<b>Total receipts</b>	<b>1,375</b>	<b>93,915</b>	<b>5,923</b>	<b>-</b>	<b>11,594</b>	<b>1,169</b>	<b>113,976</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	-	11,751	-	11,751
Support services	-	24,080	-	-	8,765	-	32,845
Community services	-	-	-	-	532	-	532
<b>Total disbursements</b>	<b>-</b>	<b>24,080</b>	<b>-</b>	<b>-</b>	<b>21,048</b>	<b>-</b>	<b>45,128</b>
Excess (deficiency) of receipts over disbursements	1,375	69,835	5,923	-	(9,454)	1,169	68,848
<b>Other financing uses:</b>							
Transfers out	-	-	-	-	(4,212)	-	(4,212)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,212)</b>	<b>-</b>	<b>(4,212)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,375	69,835	5,923	-	(13,666)	1,169	64,636
Cash and investments - beginning	-	(69,835)	(7,306)	-	13,666	-	(63,475)
Cash and investments - ending	<u>\$ 1,375</u>	<u>\$ -</u>	<u>\$ (1,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 1,161</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	<u>\$ 1,375</u>	<u>\$ -</u>	<u>\$ (1,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 1,161</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Unrestricted	<u>\$ 1,375</u>	<u>\$ -</u>	<u>\$ (1,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 1,161</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For the Year Ended June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements Other Than Buildings	\$ 28,126
Machinery and equipment	<u>149,516</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 177,642</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For the Year Ended June 30, 2007

The School Corporation has entered into the following long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable:		
Promissory Note	\$ 225,000	\$ 19,168
Common School Loans:		
Loan A022	401,583	37,553
Loan A045	207,857	28,979
Loan A053	7,696	3,355
Loan A076	213,106	16,211
	<u>1,055,242</u>	<u>105,266</u>
Total governmental activities long-term debt	<u>\$ 1,055,242</u>	<u>\$ 105,266</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The School Corporation is recording the receipts for the payroll clearing accounts as negative disbursements; therefore, there is no receipt activity reported on the financial ledgers and the total disbursements reported only includes change in the balance of the payroll clearing account.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Some corrections and adjustments were made in the records by use of negative entries.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The School Lunch Fund, Textbook Rental Fund, and Payroll Clearing Fund were overdrawn by \$69,835, \$7,306, and \$1,658, respectively, at June 30, 2006.

The Textbook Rental Fund and Payroll Clearing Fund were overdrawn by \$1,383 and \$305, respectively, at June 30, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained during the examination period. Therefore, compliance with vacation/sick leave policies could not be verified. A similar comment appeared in the prior Report B26961.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The School Corporation submits monthly claims to the Indiana Department of Education for reimbursement of the meals served to students. The reimbursement amount received is based on the Federal rates and the number of meals served. The School Corporation submitted half the monthly claims past the respective due dates for fiscal year 2005-2006 and did not submit the October 2006 claim. The School Corporation also submits an Annual Financial Report each year. The fiscal year 2005-2006 Annual Financial Report was submitted past the due date. The Claims for Reimbursement are to be

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

supported by documentation showing the number of meals served for each of the following categories: paid, reduced paid, and free. The provided documentation for fiscal year 2005-2006, was insufficient for determining the number of meals served for each category.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

- " . . . 'original records' includes the optical image of a check or deposit document when:
- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
  - (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2008, with Donna Bradshaw, Treasurer; J. C. Lasmanis, Executive Director; Jennifer Harasim, Education Director; and Steve Hyatt, President of the School Board. The official response has been made a part of this report and may be found on pages 21 and 22.



Southeast Neighborhood School of Excellence  
1601 South Barth Ave. - Indianapolis, IN 46203  
Voice: 317-423-0204 Fax: 317-631-4401  
www.SENSEindy.org

April 18, 2008

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

**RE: Official Response Audit Report**

To Whom It May Concern:

Per Option No. 4, please find enclosed the "Official Response" of the Southeast Neighborhood School of Excellence to the Audit Report presented at the Exit Conference on April 10, 2008.

For questions or additional information please do not hesitate to contact me directly at 317-423-0204.

Sincerely,

J.C. Lasmanis, Ph.D.  
CEO/Head of School

Enclosure



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**Official Response**  
by  
**Southeast Neighborhood School of Excellence**  
to  
**Audit Comments**  
**April 18, 2008**

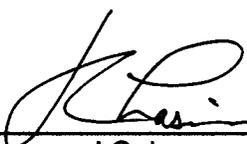
**Federal and State Agencies – Compliance Requirements** – The situation was corrected after fiscal 2005-06 year. The school meal vendor was responsible for maintaining all records related to meals served during the 2005-06 school year. SENSE charter school took back that responsibility for fiscal 2006-07 and subsequently terminated the relationship with that vendor.

**Public Records Retention** – We will instruct bank to provide the monthly bank statements with an optical image of both the front and back of the checks.

**Condition of Records** – Bookkeeping Plus, Inc. the schools accounting firm, has implemented procedures to correct the negative journal entries on the Payroll Clearing Fund.

**Overdrawn Cash Balances** – The revisions were made by Bookkeeping Plus, Inc. to correct the overdrawn balances; however, due to SBOA standards and procedures which prohibit the re-designation of funds from the specific account to the general account to eliminate a negative balance. Therefore, with current revenues being the only way to eliminate the negative balances, it took us into fiscal year 2006-2007 to bring the accounts to a positive or zero balance. The negative balances have been eliminated.

**Service and Time Records** – Internal controls were revised to provide the necessary reporting as required by the State Board of Accounts; however, State approved time sheets were not used. SENSE will implement use of the appropriate time sheets immediately.

  
\_\_\_\_\_  
J.C. Lasmanis, CEO

4-18-08  
Date

  
\_\_\_\_\_  
Donna Bradshaw, Treasurer

4-18-08  
Date