

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

AUDIT REPORT
OF
SOUTHEASTERN SCHOOL CORPORATION
CASS COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
01/29/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-21
Required Supplementary Information:	
Schedule of Funding Progress	22
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	23-31
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	32-33
Schedule of Capital Assets.....	34
Schedule of Long-Term Debt	35
Audit Results and Comments:	
Prescribed Forms	36
Segregation of Duties – Deficiency in Internal Controls	36
Overdrawn Fund Balances	36
Mileage Reimbursement of Superintendent	36
Supplemental Audit of Federal Awards:	
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.....	38-39
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards.....	41
Schedule of Findings and Questioned Costs	42-43
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	44
Corrective Action Plan.....	45
Exit Conference.....	46

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darlene Martin	07-01-07 to 06-30-10
Superintendent of Schools	Dr. John Bevan	07-01-07 to 06-30-10
President of the School Board	Jack Cain Ian Jay	07-01-07 to 06-30-09 07-01-09 to 06-30-10



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

TO: THE OFFICIALS OF THE SOUTHEASTERN SCHOOL CORPORATION, CASS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, 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 pre-scribed 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, 2008 and 2009, 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 December 14, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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, Schedule of Capital Assets, and Schedule of Long-Term Debt 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 and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

December 14, 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 SOUTHEASTERN SCHOOL CORPORATION, CASS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 14, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated December 14, 2009.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

December 14, 2009

SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts		Totals	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 6,764,240	\$ -	\$ 122,339	\$ (6,641,901)	
Support services	3,924,728	409,284	229,360	(3,286,084)	
Noninstructional services	774,078	-	-	(774,078)	
Facilities acquisition and construction	487,846	-	-	(487,846)	
Debt service	1,759,470	-	-	(1,759,470)	
Nonprogrammed charges	895,854	-	-	(895,854)	
Total governmental activities	\$ 14,606,216	\$ 409,284	\$ 351,699	(13,845,233)	
General receipts:					
Property taxes				4,770,830	
Other local sources				1,172,857	
State aid				5,944,252	
Bonds and loans				1,114,352	
Grants and contributions not restricted to specific programs				463,492	
Sale of property				39,694	
Investment earnings				110,597	
Other				11,741	
Total general receipts				13,627,815	
Change in net assets				(217,418)	
Net assets - beginning				2,339,855	
Net assets - ending				\$ 2,122,437	
<u>Assets</u>					
Cash and investments				\$ 1,921,084	
Restricted assets:					
Cash and investments				201,353	
Total assets				\$ 2,122,437	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 201,353	
Unrestricted				1,921,084	
Total net assets				\$ 2,122,437	

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

SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		Totals
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 6,768,460	\$ -	\$ 102,807	\$ (6,665,653)
Support services	4,296,456	363,344	257,460	(3,675,652)
Noninstructional services	823,565	-	-	(823,565)
Facilities acquisition and construction	522,111	-	-	(522,111)
Debt service	3,160,669	-	-	(3,160,669)
Nonprogrammed charges	872,148	-	-	(872,148)
Total governmental activities	<u>\$ 16,443,409</u>	<u>\$ 363,344</u>	<u>\$ 360,267</u>	<u>(15,719,798)</u>
General receipts:				
Property taxes				4,673,747
Other local sources				1,045,882
State aid				7,004,789
Bonds and loans				1,000,000
Grants and contributions not restricted to specific programs				1,202,942
Investment earnings				27,919
Other				<u>78,192</u>
Total general receipts				<u>15,033,471</u>
Change in net assets				(686,327)
Net assets - beginning				<u>2,122,437</u>
Net assets - ending				<u>\$ 1,436,110</u>
<u>Assets</u>				
Cash and investments				\$ 1,364,431
Restricted assets:				
Cash and investments				<u>71,679</u>
Total assets				<u>\$ 1,436,110</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 71,679
Unrestricted				<u>1,364,431</u>
Total net assets				<u>\$ 1,436,110</u>

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

SOUTHEASTERN SCHOOL CORPORATION
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	School Lunch	Fiscal Stabilization	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,970,078	\$ -	\$ 380,183	\$ -	\$ 1,133,778	\$ 1,988,171	\$ 6,472,210
Intermediate sources	-	7,685	-	-	-	263	7,948
State sources	5,990,097	-	9,504	-	-	159,552	6,159,153
Federal sources	17,532	-	180,897	-	-	385,271	583,700
Temporary loans	886,233	-	-	-	228,119	-	1,114,352
Other	8,302	-	2,064	-	1,195	180	11,741
Total receipts	9,872,242	7,685	572,648	-	1,363,092	2,533,437	14,349,104
Disbursements:							
Current:							
Instruction	6,381,649	-	-	-	-	382,591	6,764,240
Support services	2,096,584	-	11,423	-	644,124	1,172,597	3,924,728
Noninstructional services	282,836	-	489,841	-	-	1,401	774,078
Facilities acquisition and construction	-	-	31,495	-	456,351	-	487,846
Debt services	392,378	-	-	-	326,179	1,040,913	1,759,470
Nonprogrammed charges	820,654	-	-	-	-	75,200	895,854
Total disbursements	9,974,101	-	532,759	-	1,426,654	2,672,702	14,606,216
Excess (deficiency) of receipts over disbursements	(101,859)	7,685	39,889	-	(63,562)	(139,265)	(257,112)
Other financing sources (uses):							
Sale of capital assets	36,142	-	1,777	-	198	1,577	39,694
Transfers in	8,986	-	-	-	-	71,388	80,374
Transfers out	(10,384)	-	-	-	-	(69,990)	(80,374)
Total other financing sources (uses)	34,744	-	1,777	-	198	2,975	39,694
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(67,115)	7,685	41,666	-	(63,364)	(136,290)	(217,418)
Cash and investments - beginning	684,912	149,866	300,470	-	300,999	903,608	2,339,855
Cash and investments - ending	\$ 617,797	\$ 157,551	\$ 342,136	\$ -	\$ 237,635	\$ 767,318	\$ 2,122,437
Cash and Investment Assets - Ending							
Cash and investments	\$ 617,797	\$ 157,551	\$ 342,136	\$ -	\$ 237,635	\$ 565,965	\$ 1,921,084
Restricted assets:							
Cash and investments	-	-	-	-	-	201,353	201,353
Total cash and investment assets - ending	\$ 617,797	\$ 157,551	\$ 342,136	\$ -	\$ 237,635	\$ 767,318	\$ 2,122,437
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,353	\$ 201,353
Unrestricted	617,797	157,551	342,136	-	237,635	565,965	1,921,084
Total cash and investment fund balance - ending	\$ 617,797	\$ 157,551	\$ 342,136	\$ -	\$ 237,635	\$ 767,318	\$ 2,122,437

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

SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Rainy Day	School Lunch	Fiscal Stabilization	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,865,298	\$ -	\$ 343,490	\$ -	\$ 1,060,484	\$ 1,841,373	\$ 6,110,645
Intermediate sources	-	-	-	-	-	244	244
State sources	7,046,469	-	9,108	-	-	194,120	7,249,697
Federal sources	-	-	204,989	799,991	-	313,324	1,318,304
Temporary loans	800,000	-	-	-	-	200,000	1,000,000
Other	34,088	-	3,881	-	39,773	450	78,192
Total receipts	10,745,855	-	561,468	799,991	1,100,257	2,549,511	15,757,082
Disbursements:							
Current:							
Instruction	5,994,162	-	-	462,245	-	312,053	6,768,460
Support services	2,256,190	-	15,870	174,875	653,717	1,195,804	4,296,456
Noninstructional services	300,408	-	505,270	15,686	-	2,201	823,565
Facilities acquisition and construction	-	-	37,499	-	409,760	74,852	522,111
Debt services	1,686,233	-	-	-	428,119	1,046,317	3,160,669
Nonprogrammed charges	793,241	-	-	-	-	78,907	872,148
Total disbursements	11,030,234	-	558,639	652,806	1,491,596	2,710,134	16,443,409
Excess (deficiency) of receipts over disbursements	(284,379)	-	2,829	147,185	(391,339)	(160,623)	(686,327)
Other financing sources (uses):							
Transfers in	-	-	-	-	200,000	39,343	239,343
Transfers out	-	-	-	-	-	(239,343)	(239,343)
Total other financing sources (uses)	-	-	-	-	200,000	(200,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(284,379)	-	2,829	147,185	(191,339)	(360,623)	(686,327)
Cash and investments - beginning	617,797	157,551	342,136	-	237,635	767,318	2,122,437
Cash and investments - ending	\$ 333,418	\$ 157,551	\$ 344,965	\$ 147,185	\$ 46,296	\$ 406,695	\$ 1,436,110
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 333,418	\$ 157,551	\$ 344,965	\$ 147,185	\$ 46,296	\$ 335,016	\$ 1,364,431
Restricted assets:							
Cash and investments	-	-	-	-	-	71,679	71,679
Total cash and investment assets - ending	\$ 333,418	\$ 157,551	\$ 344,965	\$ 147,185	\$ 46,296	\$ 406,695	\$ 1,436,110
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,679	\$ 71,679
Unrestricted	333,418	157,551	344,965	147,185	46,296	335,016	1,364,431
Total cash and investment fund balance - ending	\$ 333,418	\$ 157,551	\$ 344,965	\$ 147,185	\$ 46,296	\$ 406,695	\$ 1,436,110

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

SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 21,212
Deductions:		
Benefits	20,531	-
Administrative and general	-	2,500
Total deductions	<u>20,531</u>	<u>2,500</u>
Excess (deficiency) of total additions over total deductions	(20,531)	18,712
Cash and investment fund balance - beginning	<u>248,186</u>	<u>9,527</u>
Cash and investment fund balance - ending	<u>\$ 227,655</u>	<u>\$ 28,239</u>
Net assets:		
Cash and investments	<u>\$ 227,655</u>	<u>\$ 28,239</u>
Total net assets - cash and investment basis held in trust	<u>\$ 227,655</u>	<u>\$ 28,239</u>

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

SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Plan members	\$ 1,451	\$ -
Other	<u>-</u>	<u>11,250</u>
Total additions	<u>1,451</u>	<u>11,250</u>
Deductions:		
Benefits	11,651	-
Administrative and general	<u>-</u>	<u>2,000</u>
Total deductions	<u>11,651</u>	<u>2,000</u>
Excess (deficiency) of total additions over total deductions	(10,200)	9,250
Cash and investment fund balance - beginning	<u>227,655</u>	<u>28,239</u>
Cash and investment fund balance - ending	<u>\$ 217,455</u>	<u>\$ 37,489</u>
Net assets:		
Cash and investments	<u>\$ 217,455</u>	<u>\$ 37,489</u>
Total net assets - cash and investment basis held in trust	<u>\$ 217,455</u>	<u>\$ 37,489</u>

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Southeastern School Corporation

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

Joint Venture

The School Corporation is a participant with 9 other schools in a joint venture to operate Logansport Area Joint Special Services Cooperative (LAJSSC) which was created to provide education to handicapped students. The School Corporation is obligated by contract to remit an annual amount based on LAJSSC's estimated expenditures and the School Corporation's level of participation. LAJSSC pays its surplus to the participants. LAJSSC's continued existence depends on continued funding by the School Corporation. Complete financial statements for LAJSSC can be obtained at 1501 Meadowlawn Avenue, Logansport, Indiana 46947.

The School Corporation is a participant with 34 other schools in a joint venture to operate Wabash Valley Education Center which was created to share certain programs and services. The Wabash Valley Education Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Wabash Valley Education Center can be obtained from their administrative office at 3061 Benton Street, West Lafayette, Indiana 47906-1129.

The School Corporation is a participant with 24 other schools in a joint venture to operate Northwest Indiana Educational Service Center which was created to establish a joint program for the procurement of natural gas. The Northwest Indiana Educational Service Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Northwest Indiana Educational Service Center can be obtained from their administrative office at 2939 41st Street, Highland, Indiana 46322.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities.

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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 rainy day fund accounts for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

The school lunch fund accounts for receipts and disbursements related to the food service program.

Fiscal Stabilization-Education (Stimulus) Fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal 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 pension trust funds account for bonds and payments anticipated to be made to employees on or after termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students through academic scholarships.

C. Measurement Focus and Basis of Accounting

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

3. Capital Assets

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

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and 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, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. 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.
- 3. 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:

SOUTHEASTERN SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Drug Free Schools 07/08	\$ 1,147	\$ -
Title III Limited English	-	1,155

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

SOUTHEASTERN SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Detailed Notes on All Funds

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	Other governmental funds	\$ 10,384	\$ -
Other governmental funds	Capital Projects	-	200,000
Other governmental funds	Other governmental funds	<u>69,990</u>	<u>39,343</u>
Totals		<u>\$ 80,374</u>	<u>\$ 239,343</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from 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. Risk financing is not utilized for the other risks of loss.

Medical Benefits to Employees

During 1995, the School Corporation joined with other governmental entities to form the School Employees Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for 13 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

group insurance plans for the benefit of the employees. The School Corporation pays an annual premium to the risk pool for its medical benefits coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$2,000,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with Southeastern Multi-Purpose School Building Corporation and Southeastern Cass School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related party of the School Corporation. Lease payments during the year totaled \$1,512,000.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 49,513
Interest on net pension obligation	(4,863)
Adjustment to annual required contribution	5,542
Annual pension cost	50,192
Contributions made	39,296
Increase in net pension obligation	10,896
Net pension obligation, beginning of year	(67,082)
Net pension obligation, end of year	\$ (56,186)

	PERF
Contribution rates:	
School Corporation	5.50%
Plan members	3%
Actuarial valuation date	07-01-08
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

<u>Actuarial Assumptions</u>	PERF
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	06-30-06	\$ 26,017	136%	\$ (83,606)
	06-30-07	48,294	66%	(67,082)
	06-30-08	50,192	78%	(56,186)

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, 2007, 2008, and 2009, were \$130,850, \$132,638, and \$141,083, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SOUTHEASTERN SCHOOL CORPORATION
 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)
07-01-06	\$ 979,357	\$ 910,407	\$ 68,950	108%	\$ 856,086	8%
07-01-07	1,064,613	1,012,570	52,043	105%	844,494	6%
07-01-08	1,168,253	1,236,407	(68,154)	94%	967,580	(7%)

SOUTHEASTERN SCHOOL CORPORATION
 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

	Transportation	Preschool Special Education	Textbook Rental	Education Plate	School Safe Haven	Angels of Mercy	Safe Haven 00-SH-160
Receipts:							
Local sources	\$ 714,284	\$ 7,752	\$ 125,698	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	263	-	-	-
State sources	-	50,507	38,959	-	-	-	3,345
Federal sources	-	-	-	-	-	-	-
Other	180	-	-	-	-	-	-
Total receipts	714,464	58,259	164,657	263	-	-	3,345
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	796,924	-	9,191	354	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	74,700	-	-	-	-	-
Total disbursements	796,924	74,700	9,191	354	-	-	-
Excess (deficiency) of receipts over disbursements	(82,460)	(16,441)	155,466	(91)	-	-	3,345
Other financing sources (uses):							
Sale of capital assets	1,577	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,577	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(80,883)	(16,441)	155,466	(91)	-	-	3,345
Cash and investments - beginning	160,182	22,793	(31,738)	230	1,935	290	8,896
Cash and investments - ending	\$ 79,299	\$ 6,352	\$ 123,728	\$ 139	\$ 1,935	\$ 290	\$ 12,241
Cash and Investment Assets - Ending							
Cash and investments	\$ 79,299	\$ 6,352	\$ 123,728	\$ 139	\$ 1,935	\$ 290	\$ 12,241
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 79,299	\$ 6,352	\$ 123,728	\$ 139	\$ 1,935	\$ 290	\$ 12,241
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	79,299	6,352	123,728	139	1,935	290	12,241
Total cash and investment fund balance - ending	\$ 79,299	\$ 6,352	\$ 123,728	\$ 139	\$ 1,935	\$ 290	\$ 12,241

SOUTHEASTERN SCHOOL CORPORATION
 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)

	Professional Development	Higher Ability Grant 07-08	Higher Ability Grant 06-07	School Technology 06-07	School Technology 07-08	Technology Plan Grant	Indiana Juvenile Justice Task Force
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	19,868	32,251	-	7,785	6,334	503	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	19,868	32,251	-	7,785	6,334	503	-
Disbursements:							
Current:							
Instruction	-	14,877	-	-	-	-	-
Support services	6,575	-	7,632	-	-	6,000	7,827
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	500
Total disbursements	6,575	14,877	7,632	-	-	6,000	8,327
Excess (deficiency) of receipts over disbursements	13,293	17,374	(7,632)	7,785	6,334	(5,497)	(8,327)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	16,591	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	16,591	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,293	17,374	(7,632)	24,376	6,334	(5,497)	(8,327)
Cash and investments - beginning	73,938	-	7,632	(24,376)	-	84,305	8,327
Cash and investments - ending	\$ 87,231	\$ 17,374	\$ -	\$ -	\$ 6,334	\$ 78,808	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 87,231	\$ 17,374	\$ -	\$ -	\$ 6,334	\$ 78,808	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 87,231	\$ 17,374	\$ -	\$ -	\$ 6,334	\$ 78,808	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	87,231	17,374	-	-	6,334	78,808	-
Total cash and investment fund balance - ending	\$ 87,231	\$ 17,374	\$ -	\$ -	\$ 6,334	\$ 78,808	\$ -

SOUTHEASTERN SCHOOL CORPORATION
 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)

	Title I FY 05-0815	Title I FY 07-0815	Title VI 99-047	Title V Innovative Programs 07-08	Title V Innovative Programs 06-07	Fall Migrant 07-08	Summer Migrant FY04-05/SM-5
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	27,500	253,295	-	2,330	-	29,000	4,000
Other	-	-	-	-	-	-	-
Total receipts	27,500	253,295	-	2,330	-	29,000	4,000
Disbursements:							
Current:							
Instruction	26,205	226,738	-	13,200	-	22,377	31,841
Support services	-	18,788	-	-	-	6,566	25,000
Noninstructional services	-	1,151	-	250	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	26,205	246,677	-	13,450	-	28,943	56,841
Excess (deficiency) of receipts over disbursements	1,295	6,618	-	(11,120)	-	57	(52,841)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	31,351	-	17,670	5,776	-	-
Transfers out	(31,201)	-	-	-	-	-	-
Total other financing sources (uses)	(31,201)	31,351	-	17,670	5,776	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,906)	37,969	-	6,550	5,776	57	(52,841)
Cash and investments - beginning	29,906	-	4,984	-	(5,776)	-	52,841
Cash and investments - ending	\$ -	\$ 37,969	\$ 4,984	\$ 6,550	\$ -	\$ 57	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 37,969	\$ 4,984	\$ 6,550	\$ -	\$ 57	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	No	-	-
Total cash and investment assets - ending	\$ -	\$ 37,969	\$ 4,984	\$ 6,550	\$ -	\$ 57	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	No	\$ -	\$ -
Unrestricted	-	37,969	4,984	6,550	-	57	-
Total cash and investment fund balance - ending	\$ -	\$ 37,969	\$ 4,984	\$ 6,550	\$ -	\$ 57	\$ -

SOUTHEASTERN SCHOOL CORPORATION
 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)

	Drug Free Schools 07-08	Title II SY 00-01	Title II 99-036	Title II 99-020	Title II 97-095	Title III 07-08	Title II Improving Teacher Quality
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	6,114	-	-	-	-	7,921	55,111
Other	-	-	-	-	-	-	-
Total receipts	6,114	-	-	-	-	7,921	55,111
Disbursements:							
Current:							
Instruction	32,000	-	-	-	-	7,921	323
Support services	-	-	-	-	-	-	39,460
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	32,000	-	-	-	-	7,921	39,783
Excess (deficiency) of receipts over disbursements	(25,886)	-	-	-	-	-	15,328
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(2,759)	(3,930)	(954)	(1,343)	-	(17,670)
Total other financing sources (uses)	-	(2,759)	(3,930)	(954)	(1,343)	-	(17,670)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25,886)	(2,759)	(3,930)	(954)	(1,343)	-	(2,342)
Cash and investments - beginning	24,739	2,759	3,930	954	1,343	-	26,356
Cash and investments - ending	<u>\$ (1,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,014</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (1,147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,014
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (1,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,014</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(1,147)	-	-	-	-	-	24,014
Total cash and investment fund balance - ending	<u>\$ (1,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,014</u>

SOUTHEASTERN SCHOOL CORPORATION
 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)

	Tech Lit Challenge	Title III Limited English	Debt Service	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 727,496	\$ 248,262	\$ 164,679	\$ 1,988,171
Intermediate sources	-	-	-	-	-	263
State sources	-	-	-	-	-	159,552
Federal sources	-	-	-	-	-	385,271
Other	-	-	-	-	-	180
Total receipts	-	-	727,496	248,262	164,679	2,533,437
Disbursements:						
Current:						
Instruction	-	7,109	-	-	-	382,591
Support services	-	-	-	-	248,280	1,172,597
Noninstructional services	-	-	-	-	-	1,401
Debt services	-	-	771,466	269,447	-	1,040,913
Nonprogrammed charges	-	-	-	-	-	75,200
Total disbursements	-	7,109	771,466	269,447	248,280	2,672,702
Excess (deficiency) of receipts over disbursements	-	(7,109)	(43,970)	(21,185)	(83,601)	(139,265)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	1,577
Transfers in	-	-	-	-	-	71,388
Transfers out	-	(12,133)	-	-	-	(69,990)
Total other financing sources (uses)	-	(12,133)	-	-	-	2,975
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(19,242)	(43,970)	(21,185)	(83,601)	(136,290)
Cash and investments - beginning	2,561	19,242	206,242	60,266	160,847	903,608
Cash and investments - ending	<u>\$ 2,561</u>	<u>\$ -</u>	<u>\$ 162,272</u>	<u>\$ 39,081</u>	<u>\$ 77,246</u>	<u>\$ 767,318</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,561	\$ -	\$ -	\$ -	\$ 77,246	\$ 565,965
Restricted assets:						
Cash and investments	-	-	162,272	39,081	-	201,353
Total cash and investment assets - ending	<u>\$ 2,561</u>	<u>\$ -</u>	<u>\$ 162,272</u>	<u>\$ 39,081</u>	<u>\$ 77,246</u>	<u>\$ 767,318</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 162,272	\$ 39,081	\$ -	\$ 201,353
Unrestricted	2,561	-	-	-	77,246	565,965
Total cash and investment fund balance - ending	<u>\$ 2,561</u>	<u>\$ -</u>	<u>\$ 162,272</u>	<u>\$ 39,081</u>	<u>\$ 77,246</u>	<u>\$ 767,318</u>

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation	Preschool Special Education	Textbook Rental	Education Plate	School Safe Haven	Angels of Mercy	Safe Haven 00-SH-160
Receipts:							
Local sources	\$ 702,129	\$ 7,265	\$ 115,990	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	244	-	-	-
State sources	-	80,076	43,363	-	-	-	1,000
Federal sources	-	-	-	-	-	-	-
Temporary loans	200,000	-	-	-	-	-	-
Other	753	-	(303)	-	-	-	-
Total receipts	902,882	87,341	159,050	244	-	-	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	763,265	-	185,807	-	1,000	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	78,907	-	-	-	-	-
Total disbursements	763,265	78,907	185,807	-	1,000	-	-
Excess (deficiency) of receipts over disbursements	139,617	8,434	(26,757)	244	(1,000)	-	1,000
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(200,000)	-	-	-	-	-	-
Total other financing sources (uses)	(200,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,383)	8,434	(26,757)	244	(1,000)	-	1,000
Cash and investments - beginning	79,299	6,352	123,728	139	1,935	290	12,241
Cash and investments - ending	\$ 18,916	\$ 14,786	\$ 96,971	\$ 383	\$ 935	\$ 290	\$ 13,241
Cash and Investment Assets - Ending							
Cash and investments	\$ 18,916	\$ 14,786	\$ 96,971	\$ 383	\$ 935	\$ 290	\$ 13,241
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 18,916	\$ 14,786	\$ 96,971	\$ 383	\$ 935	\$ 290	\$ 13,241
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	18,916	14,786	96,971	383	935	290	13,241
Total cash and investment fund balance - ending	\$ 18,916	\$ 14,786	\$ 96,971	\$ 383	\$ 935	\$ 290	\$ 13,241

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Professional Development	Higher Ability Grant 07-08	School Technology 06-07	School Technology 07-08	Technology Plan Grant	Title I FY 05-0815
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	19,630	32,206	9,294	8,551	-	-
Federal sources	-	-	-	-	-	217,278
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	19,630	32,206	9,294	8,551	-	217,278
Disbursements:						
Current:						
Instruction	-	40,053	-	-	-	212,523
Support services	10,854	-	-	-	-	21,285
Noninstructional services	-	-	-	-	-	1,063
Facilities acquisition and construction	-	-	-	-	74,852	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	10,854	40,053	-	-	74,852	234,871
Excess (deficiency) of receipts over disbursements	8,776	(7,847)	9,294	8,551	(74,852)	(17,593)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	39,343
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	39,343
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,776	(7,847)	9,294	8,551	(74,852)	21,750
Cash and investments - beginning	87,231	17,374	-	6,334	78,808	-
Cash and investments - ending	\$ 96,007	\$ 9,527	\$ 9,294	\$ 14,885	\$ 3,956	\$ 21,750
Cash and Investment Assets - Ending						
Cash and investments	\$ 96,007	\$ 9,527	\$ 9,294	\$ 14,885	\$ 3,956	\$ 21,750
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 96,007	\$ 9,527	\$ 9,294	\$ 14,885	\$ 3,956	\$ 21,750
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	96,007	9,527	9,294	14,885	3,956	21,750
Total cash and investment fund balance - ending	\$ 96,007	\$ 9,527	\$ 9,294	\$ 14,885	\$ 3,956	\$ 21,750

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title I FY 07-0815	Title VI 99-047	Title V Innovative Programs	Fall Migrant 07-08	Drug Free Schools 07-08	Title II Improving Teacher Quality
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	27,000	-	-	30,000	4,945	27,153
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	27,000	-	-	30,000	4,945	27,153
Disbursements:						
Current:						
Instruction	25,626	-	-	25,748	-	-
Support services	-	-	-	4,309	-	49,741
Noninstructional services	-	-	1,138	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	25,626	-	1,138	30,057	-	49,741
Excess (deficiency) of receipts over disbursements	1,374	-	(1,138)	(57)	4,945	(22,588)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(39,343)	-	-	-	-	-
Total other financing sources (uses)	(39,343)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(37,969)	-	(1,138)	(57)	4,945	(22,588)
Cash and investments - beginning	37,969	4,984	6,550	57	(1,147)	24,014
Cash and investments - ending	\$ -	\$ 4,984	\$ 5,412	\$ -	\$ 3,798	\$ 1,426
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 4,984	\$ 5,412	\$ -	\$ 3,798	\$ 1,426
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 4,984	\$ 5,412	\$ -	\$ 3,798	\$ 1,426
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	4,984	5,412	-	3,798	1,426
Total cash and investment fund balance - ending	\$ -	\$ 4,984	\$ 5,412	\$ -	\$ 3,798	\$ 1,426

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Tech Lit Challenge	Title III Limited English	Debt Service	Retirement/ Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 682,363	\$ 234,280	\$ 99,346	\$ 1,841,373
Intermediate sources	-	-	-	-	-	244
State sources	-	-	-	-	-	194,120
Federal sources	-	6,948	-	-	-	313,324
Temporary loans	-	-	-	-	-	200,000
Other	-	-	-	-	-	450
Total receipts	-	6,948	682,363	234,280	99,346	2,549,511
Disbursements:						
Current:						
Instruction	-	8,103	-	-	-	312,053
Support services	-	-	-	-	159,543	1,195,804
Noninstructional services	-	-	-	-	-	2,201
Facilities acquisition and construction	-	-	-	-	-	74,852
Debt services	-	-	774,415	271,902	-	1,046,317
Nonprogrammed charges	-	-	-	-	-	78,907
Total disbursements	-	8,103	774,415	271,902	159,543	2,710,134
Excess (deficiency) of receipts over disbursements	-	(1,155)	(92,052)	(37,622)	(60,197)	(160,623)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	39,343
Transfers out	-	-	-	-	-	(239,343)
Total other financing sources (uses)	-	-	-	-	-	(200,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,155)	(92,052)	(37,622)	(60,197)	(360,623)
Cash and investments - beginning	2,561	-	162,272	39,081	77,246	767,318
Cash and investments - ending	<u>\$ 2,561</u>	<u>\$ (1,155)</u>	<u>\$ 70,220</u>	<u>\$ 1,459</u>	<u>\$ 17,049</u>	<u>\$ 406,695</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,561	\$ (1,155)	\$ -	\$ -	\$ 17,049	\$ 335,016
Restricted assets:						
Cash and investments	-	-	70,220	1,459	-	71,679
Total cash and investment assets - ending	<u>\$ 2,561</u>	<u>\$ (1,155)</u>	<u>\$ 70,220</u>	<u>\$ 1,459</u>	<u>\$ 17,049</u>	<u>\$ 406,695</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 70,220	\$ 1,459	\$ -	\$ 71,679
Unrestricted	2,561	(1,155)	-	-	17,049	335,016
Total cash and investment fund balance - ending	<u>\$ 2,561</u>	<u>\$ (1,155)</u>	<u>\$ 70,220</u>	<u>\$ 1,459</u>	<u>\$ 17,049</u>	<u>\$ 406,695</u>

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Cunningham Scholarship</u>	<u>Wilson Scholarship</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 5	\$ 21,207	\$ 21,212
Deductions:			
Administrative and general	<u>1,000</u>	<u>1,500</u>	<u>2,500</u>
Excess (deficiency) of total additions over total deductions	(995)	19,707	18,712
Cash and investment fund balance - beginning	<u>1,920</u>	<u>7,607</u>	<u>9,527</u>
Cash and investments - June 30	<u>\$ 925</u>	<u>\$ 27,314</u>	<u>\$ 28,239</u>
Net assets:			
Cash and investments	<u>\$ 925</u>	<u>\$ 27,314</u>	<u>\$ 28,239</u>
Total net assets - cash and investment basis held in trust	<u>\$ 925</u>	<u>\$ 27,314</u>	<u>\$ 28,239</u>

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	<u>Cunningham Scholarship</u>	<u>Wilson Scholarship</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 2	\$ 11,248	\$ 11,250
Deductions:			
Administrative and general	-	2,000	2,000
Excess of total additions over total deductions	2	9,248	9,250
Cash and investment fund balance - beginning	<u>925</u>	<u>27,314</u>	<u>28,239</u>
Cash and investments - June 30	<u>\$ 927</u>	<u>\$ 36,562</u>	<u>\$ 37,489</u>
Net assets:			
Cash and investments	<u>\$ 927</u>	<u>\$ 36,562</u>	<u>\$ 37,489</u>
Total net assets - cash and investment basis held in trust	<u>\$ 927</u>	<u>\$ 36,562</u>	<u>\$ 37,489</u>

SOUTHEASTERN SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

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:	
Land	\$ 1,553,300
Buildings	42,794,976
Improvements other than buildings	65,337
Machinery and equipment	<u>6,306,212</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 50,719,825</u>

SOUTHEASTERN SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Buildings	\$ 3,045,000	\$ 378,000
Building Renovation	6,375,000	414,375
Bonds payable:		
General obligation bonds:		
Retirement/Severance	<u>1,300,000</u>	<u>273,490</u>
Total governmental activities debt	<u>\$ 10,720,000</u>	<u>\$ 1,065,865</u>

SOUTHEASTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

Prescribed or approved General Form 350, Register of Investments, was not always in use.

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)

SEGREGATION OF DUTIES – DEFICIENCY IN INTERNAL CONTROLS

Control activities were not selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to all areas of the financial statements. Failure to establish these controls could enable misstatements to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

The Drug Free Schools Fund and the Title III Limited English Fund were overdrawn in 2007-2008 and 2008-2009 respectively.

The 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)

MILEAGE REIMBURSEMENT OF SUPERINTENDENT

The School Corporation's contract with the Superintendent provides for a monthly mileage reimbursement not to exceed \$400. The Superintendent filed monthly mileage logs that showed total miles in excess of the amount needed to add up to \$400 at the School Corporation's approved reimbursement rate. However, the mileage was not submitted on an approved mileage reimbursement form. A similar comment was noted in prior Report B31658.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SOUTHEASTERN SCHOOL CORPORATION, CASS COUNTY, INDIANA

Compliance

We have audited the compliance of the Southeastern School Corporation (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, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

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

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 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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

December 14, 2009

SOUTHEASTERN SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 28,527	\$ 30,326
National School Lunch Program	10.555		185,126	210,726
			<u>213,653</u>	<u>241,052</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		07-0815	26,206	-
		08-0815	246,676	90,595
		09-0815	-	234,872
			<u>272,882</u>	<u>325,467</u>
Migrant Education State Grant Program	84.011			
		FY07-08/RN/10	52,298	-
		FY08-09/RN/10	28,942	30,058
			<u>81,240</u>	<u>30,058</u>
Safe and Drug-Free Schools and Communities-State Grants	84.186			
		PL-107-112	32,000	-
Innovative Education Program Strategies	84.298			
		07-0815	13,450	-
		08-0815	-	1,138
			<u>13,450</u>	<u>1,138</u>
Improving Teacher Quality State Grants	84.367			
		SY07-08	39,783	-
		SY08-09	-	49,741
			<u>39,783</u>	<u>49,741</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		-	652,807
			<u>439,355</u>	<u>1,059,211</u>
Total federal awards expended			<u>\$ 653,008</u>	<u>\$ 1,300,263</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southeastern School Corporation (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 school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
National School Lunch Program	10.555	\$ 32,756	\$ 36,053

SOUTHEASTERN SCHOOL CORPORATION
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?	yes
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
84.010	Child Nutrition Cluster
84.394	Title I Grants to Local Educational Agencies
	ARRA - State Stabilization Fund – Education State Grants

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

Auditee qualified as low-risk auditee? no

SOUTHEASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2009-1, DEFICIENCY IN INTERNAL CONTROLS

Control Activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to all areas of the financial statements. Failure to establish these controls could enable material misstatements or fraud to go undetected.

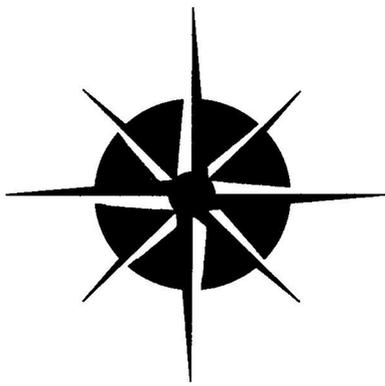
Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHEASTERN SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Southeastern

SCHOOL CORPORATION

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CORRECTIVE ACTION PLAN

FINDING NO. 2009-1

Auditee Contact Person: Darlene Martin
Title of Contact Person: Treasurer
Phone Number: 219-626-2525
Expected Completion Date: June 2009

Corrective Action Planned:

The management of Southeastern School Corporation has reviewed the Financial Statement Finding related to their audit for the years 2008 and 2009 and offer the following corrective actions.

1. Lack of Segregation of Duties – The Corporation office will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by each of the office employees. However, the corporation is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Darlene Martin

11/23/09

SOUTHEASTERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2009, with Darlene Martin, Treasurer; and Dr. John Bevan, Superintendent of Schools. The officials concurred with our audit findings.