

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTHEASTERN SCHOOL CORPORATION
CASS COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/27/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darlene Martin	07-01-11 to 06-30-14
Superintendent of Schools	Dr. John Bevan Trudie Hedrick	07-01-11 to 06-30-13 07-01-13 to 06-30-14
President of the School Board	Ian D. Jay Gary Akers Ian D. Jay	07-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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



Paul D. Joyce, CPA
State Examiner

March 4, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Southeastern School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 4, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Southeastern School Corporation's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 4, 2014

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FINANCIAL STATEMENT

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

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SOUTHEASTERN SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 503,374	\$ 9,111,406	\$ 9,434,470	\$ 18,799	\$ 199,109	\$ 8,921,987	\$ 9,092,227	\$ -	\$ 28,869
Debt Service	558,606	1,143,336	1,046,000	(350,000)	305,942	1,139,641	1,046,000	-	399,583
Retirement/Severance Bond Debt Service	122,333	293,090	269,565	-	145,858	285,433	268,927	-	162,364
Capital Projects	808,180	1,176,216	1,394,823	-	589,573	1,169,055	1,247,268	-	511,360
School Transportation	489,333	770,057	911,504	-	347,886	786,934	891,739	-	243,081
School Bus Replacement	174,109	219,672	226,511	-	167,270	203,024	148,040	-	222,254
Rainy Day	416,373	-	-	350,000	766,373	1,057	376,271	-	391,159
Post-Retirement/Severance Future Benefits	47,456	-	-	-	47,456	-	2,000	-	45,456
School Lunch	501,538	650,810	686,879	-	465,469	643,512	750,663	-	358,318
Textbook Rental	133,598	160,612	201,748	-	92,462	149,282	80,603	-	161,141
Levy Excess	-	-	-	-	-	5,286	-	-	5,286
Educational License Plates	289	131	-	-	420	19	420	-	19
SAFE School Haven	935	-	-	-	935	-	935	-	-
Reading Recovery	196	-	-	-	196	-	-	-	196
Donations, Gifts, and Trusts	290	-	-	-	290	-	69	-	221
Scholarships and Awards	3	(3)	-	-	-	-	-	-	-
Wilson Scholarship Fund	35,253	232	500	-	34,985	20	2,000	-	33,005
Catt Scholarship Fund	697	893	500	-	1,090	-	1,000	-	90
Maxwell Scholarship Fund	4,719	6	500	-	4,225	1	500	-	3,726
Cambell Scholarship Fund	2,250	2	-	-	2,252	-	1,000	-	1,252
Gordon Riley Scholarship Fund	-	2,101	-	-	2,101	3,307	-	-	5,408
Professional Development	64,982	-	20,739	-	44,243	-	40,531	-	3,712
High Ability	7,099	30,321	28,787	-	8,633	29,608	34,741	-	3,500
Non-English Speaking Programs P.L. 273-1999	2,107	6,843	8,854	-	96	5,342	5,438	-	-
School Technology	15,281	20,978	17,313	-	18,946	21,044	21,626	-	18,364
Technology Grants [IC 20-40-15]	1,439	-	-	-	1,439	-	-	-	1,439
Title I - 4100	66	39,191	28,433	(10,823)	1	167,876	175,478	-	(7,601)
Title I - 4110	-	179,868	190,639	10,823	52	23,766	23,817	-	1
Innovative Education Program Strategies Title V (Part A) PL 107-110	10,826	-	-	(10,826)	-	-	-	-	-
Innovative Education Program Strategies Title V (Part A) PL 107-112	5,412	-	-	(5,412)	-	-	-	-	-
PL 107-110 ECIA Title I Migrant	-	23,699	23,699	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(1,323)	67,597	67,724	-	(1,450)	50,036	48,586	-	-
ITQ, Enhanced Education Through Technology, Title II, Part D	2,561	-	-	(2,561)	-	-	-	-	-
Title III, Language Instruction	2,157	1,785	3,942	-	-	-	-	-	-
Education Jobs	-	304,273	304,273	-	-	6,101	6,101	-	-
Payroll Withholdings	3,741	2,590,658	2,593,538	-	861	2,638,609	2,639,088	-	382
Totals	\$ 3,913,880	\$ 16,793,774	\$ 17,460,941	\$ -	\$ 3,246,713	\$ 16,250,940	\$ 16,905,068	\$ -	\$ 2,592,585

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

E. Disbursements

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

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

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

Noninstructional services which include outflows for food service operations and community service operations.

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

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

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

F. Other Financing Sources and Uses

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

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

SOUTHEASTERN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up as reimbursable grants. Reimbursements for expenditures made by the School Corporation were not always received by June 30.

Note 8. 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 fiscal years 2012 and 2013 totaled \$1,046,000 each year.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 503,374	\$ 558,606	\$ 122,333	\$ 808,180	\$ 489,333	\$ 174,109	\$ 416,373	\$ 47,456	\$ 501,538	\$ 133,598
Receipts:										
Local sources	21,877	1,143,336	293,090	1,174,110	768,826	219,672	-	-	369,909	118,633
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	9,066,816	-	-	-	-	-	-	-	-	41,139
Federal sources	-	-	-	-	-	-	-	-	276,086	-
Other	22,713	-	-	2,106	1,231	-	-	-	4,815	840
Total receipts	9,111,406	1,143,336	293,090	1,176,216	770,057	219,672	-	-	650,810	160,612
Disbursements:										
Current:										
Instruction	6,773,749	-	-	-	-	-	-	-	-	-
Support services	2,391,214	-	-	618,203	911,504	226,511	-	-	13,815	201,748
Noninstructional services	269,507	-	-	-	-	-	-	-	630,422	-
Facilities acquisition and construction	-	-	-	776,620	-	-	-	-	42,642	-
Debt services	-	1,046,000	269,565	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,434,470	1,046,000	269,565	1,394,823	911,504	226,511	-	-	686,879	201,748
Excess (deficiency) of receipts over disbursements	(323,064)	97,336	23,525	(218,607)	(141,447)	(6,839)	-	-	(36,069)	(41,136)
Other financing sources (uses):										
Transfers in	18,799	-	-	-	-	-	350,000	-	-	-
Transfers out	-	(350,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	18,799	(350,000)	-	-	-	-	350,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(304,265)	(252,664)	23,525	(218,607)	(141,447)	(6,839)	350,000	-	(36,069)	(41,136)
Cash and investments - ending	\$ 199,109	\$ 305,942	\$ 145,858	\$ 589,573	\$ 347,886	\$ 167,270	\$ 766,373	\$ 47,456	\$ 465,469	\$ 92,462

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Levy Excess	Educational License Plates	SAFE School Haven	Reading Recovery	Donations, Gifts, and Trusts	Scholarships and Awards	Wilson Scholarship Fund	Catt Scholarship Fund	Maxwell Scholarship Fund
Cash and investments - beginning	\$ -	\$ 289	\$ 935	\$ 196	\$ 290	\$ 3	\$ 35,253	\$ 697	\$ 4,719
Receipts:									
Local sources	-	-	-	-	-	(3)	232	893	6
Intermediate sources	-	131	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	131	-	-	-	(3)	232	893	6
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	500	500	500
Total disbursements	-	-	-	-	-	-	500	500	500
Excess (deficiency) of receipts over disbursements	-	131	-	-	-	(3)	(268)	393	(494)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	131	-	-	-	(3)	(268)	393	(494)
Cash and investments - ending	\$ -	\$ 420	\$ 935	\$ 196	\$ 290	\$ -	\$ 34,985	\$ 1,090	\$ 4,225

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Cambell Scholarship Fund	Gordon Riley Scholarship Fund	Professional Development	High Ability	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Title I - 4100	Title I - 4110
Cash and investments - beginning	\$ 2,250	\$ -	\$ 64,982	\$ 7,099	\$ 2,107	\$ 15,281	\$ 1,439	\$ 66	\$ -
Receipts:									
Local sources	2	2,101	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	30,321	6,843	20,978	-	-	-
Federal sources	-	-	-	-	-	-	-	39,191	179,868
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>2</u>	<u>2,101</u>	<u>-</u>	<u>30,321</u>	<u>6,843</u>	<u>20,978</u>	<u>-</u>	<u>39,191</u>	<u>179,868</u>
Disbursements:									
Current:									
Instruction	-	-	-	28,787	8,854	-	-	26,603	176,499
Support services	-	-	20,739	-	-	-	-	1,830	13,807
Noninstructional services	-	-	-	-	-	-	-	-	333
Facilities acquisition and construction	-	-	-	-	-	17,313	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>20,739</u>	<u>28,787</u>	<u>8,854</u>	<u>17,313</u>	<u>-</u>	<u>28,433</u>	<u>190,639</u>
Excess (deficiency) of receipts over disbursements	<u>2</u>	<u>2,101</u>	<u>(20,739)</u>	<u>1,534</u>	<u>(2,011)</u>	<u>3,665</u>	<u>-</u>	<u>10,758</u>	<u>(10,771)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	10,823
Transfers out	-	-	-	-	-	-	-	(10,823)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,823)</u>	<u>10,823</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2</u>	<u>2,101</u>	<u>(20,739)</u>	<u>1,534</u>	<u>(2,011)</u>	<u>3,665</u>	<u>-</u>	<u>(65)</u>	<u>52</u>
Cash and investments - ending	<u>\$ 2,252</u>	<u>\$ 2,101</u>	<u>\$ 44,243</u>	<u>\$ 8,633</u>	<u>\$ 96</u>	<u>\$ 18,946</u>	<u>\$ 1,439</u>	<u>\$ 1</u>	<u>\$ 52</u>

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Innovative Education Program Strategies Title V (Part A) PL 107-110	Innovative Education Program Strategies Title V (Part A) PL 107-112	PL 107-110 ECIA Title I Migrant	Improving Teaching Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Title III, Language Instruction	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 10,826	\$ 5,412	\$ -	\$ (1,323)	\$ 2,561	\$ 2,157	\$ -	\$ 3,741	\$ 3,913,880
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,112,684
Intermediate sources	-	-	-	-	-	-	-	-	131
State sources	-	-	-	-	-	-	-	-	9,166,097
Federal sources	-	-	23,699	67,597	-	1,785	304,273	-	892,499
Other	-	-	-	-	-	-	-	2,590,658	2,622,363
Total receipts	-	-	23,699	67,597	-	1,785	304,273	2,590,658	16,793,774
Disbursements:									
Current:									
Instruction	-	-	23,699	-	-	3,942	243,148	-	7,285,281
Support services	-	-	-	67,724	-	-	61,125	-	4,528,220
Noninstructional services	-	-	-	-	-	-	-	-	900,262
Facilities acquisition and construction	-	-	-	-	-	-	-	-	836,575
Debt services	-	-	-	-	-	-	-	-	1,315,565
Nonprogrammed charges	-	-	-	-	-	-	-	2,593,538	2,595,038
Total disbursements	-	-	23,699	67,724	-	3,942	304,273	2,593,538	17,460,941
Excess (deficiency) of receipts over disbursements	-	-	-	(127)	-	(2,157)	-	(2,880)	(667,167)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	379,622
Transfers out	(10,826)	(5,412)	-	-	(2,561)	-	-	-	(379,622)
Total other financing sources (uses)	(10,826)	(5,412)	-	-	(2,561)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,826)	(5,412)	-	(127)	(2,561)	(2,157)	-	(2,880)	(667,167)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (1,450)	\$ -	\$ -	\$ -	\$ 861	\$ 3,246,713

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 199,109	\$ 305,942	\$ 145,858	\$ 589,573	\$ 347,886	\$ 167,270	\$ 766,373	\$ 47,456	\$ 465,469	\$ 92,462
Receipts:										
Local sources	49,072	1,139,641	285,433	1,165,661	786,453	203,024	-	-	352,507	109,679
Intermediate sources	-	-	-	-	-	-	1,057	-	-	-
State sources	8,828,417	-	-	-	-	-	-	-	206,718	39,603
Federal sources	-	-	-	-	-	-	-	-	79,168	-
Other	44,498	-	-	3,394	481	-	-	-	5,119	-
Total receipts	8,921,987	1,139,641	285,433	1,169,055	786,934	203,024	1,057	-	643,512	149,282
Disbursements:										
Current:										
Instruction	6,693,533	-	-	-	-	-	80,000	2,000	-	-
Support services	2,118,157	-	-	642,997	891,739	148,040	296,271	-	20,040	80,603
Noninstructional services	280,537	-	-	-	-	-	-	-	571,845	-
Facilities acquisition and construction	-	-	-	604,271	-	-	-	-	158,778	-
Debt services	-	1,046,000	268,927	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	9,092,227	1,046,000	268,927	1,247,268	891,739	148,040	376,271	2,000	750,663	80,603
Excess (deficiency) of receipts over disbursements	(170,240)	93,641	16,506	(78,213)	(104,805)	54,984	(375,214)	(2,000)	(107,151)	68,679
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(170,240)	93,641	16,506	(78,213)	(104,805)	54,984	(375,214)	(2,000)	(107,151)	68,679
Cash and investments - ending	\$ 28,869	\$ 399,583	\$ 162,364	\$ 511,360	\$ 243,081	\$ 222,254	\$ 391,159	\$ 45,456	\$ 358,318	\$ 161,141

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Levy Excess	Educational License Plates	SAFE School Haven	Reading Recovery	Donations, Gifts, and Trusts	Scholarships and Awards	Wilson Scholarship Fund	Catt Scholarship Fund	Maxwell Scholarship Fund
Cash and investments - beginning	\$ -	\$ 420	\$ 935	\$ 196	\$ 290	\$ -	\$ 34,985	\$ 1,090	\$ 4,225
Receipts:									
Local sources	5,286	-	-	-	-	-	20	-	1
Intermediate sources	-	19	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>5,286</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>1</u>
Disbursements:									
Current:									
Instruction	-	-	935	-	-	-	-	-	-
Support services	-	420	-	-	69	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	2,000	1,000	500
Total disbursements	<u>-</u>	<u>420</u>	<u>935</u>	<u>-</u>	<u>69</u>	<u>-</u>	<u>2,000</u>	<u>1,000</u>	<u>500</u>
Excess (deficiency) of receipts over disbursements	<u>5,286</u>	<u>(401)</u>	<u>(935)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>(1,980)</u>	<u>(1,000)</u>	<u>(499)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>5,286</u>	<u>(401)</u>	<u>(935)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>(1,980)</u>	<u>(1,000)</u>	<u>(499)</u>
Cash and investments - ending	<u>\$ 5,286</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 196</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 33,005</u>	<u>\$ 90</u>	<u>\$ 3,726</u>

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Cambell Scholarship Fund	Gordon Riley Scholarship Fund	Professional Development	High Ability	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Title I 4100	Title I 4110
Cash and investments - beginning	\$ 2,252	\$ 2,101	\$ 44,243	\$ 8,633	\$ 96	\$ 18,946	\$ 1,439	\$ 1	\$ 52
Receipts:									
Local sources	-	3,307	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	29,608	5,342	21,044	-	-	-
Federal sources	-	-	-	-	-	-	-	167,876	23,766
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	3,307	-	29,608	5,342	21,044	-	167,876	23,766
Disbursements:									
Current:									
Instruction	-	-	-	34,741	5,438	-	-	166,445	22,388
Support services	-	-	40,531	-	-	-	-	8,963	1,429
Noninstructional services	-	-	-	-	-	-	-	70	-
Facilities acquisition and construction	-	-	-	-	-	21,626	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,000	-	-	-	-	-	-	-	-
Total disbursements	1,000	-	40,531	34,741	5,438	21,626	-	175,478	23,817
Excess (deficiency) of receipts over disbursements	(1,000)	3,307	(40,531)	(5,133)	(96)	(582)	-	(7,602)	(51)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,000)	3,307	(40,531)	(5,133)	(96)	(582)	-	(7,602)	(51)
Cash and investments - ending	\$ 1,252	\$ 5,408	\$ 3,712	\$ 3,500	\$ -	\$ 18,364	\$ 1,439	\$ (7,601)	\$ 1

SOUTHEASTERN SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Innovative Education Program Strategies Title V (Part A) PL 107-110	Innovative Education Program Strategies Title V (Part A) PL 107-112	PL 107-110 ECIA Title I Migrant	Improving Teaching Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Title III, Language Instruction	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (1,450)	\$ -	\$ -	\$ -	\$ 861	\$ 3,246,713
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,100,084
Intermediate sources	-	-	-	-	-	-	-	-	1,076
State sources	-	-	-	-	-	-	-	-	9,130,732
Federal sources	-	-	-	50,036	-	-	6,101	-	326,947
Other	-	-	-	-	-	-	-	2,638,609	2,692,101
Total receipts	-	-	-	50,036	-	-	6,101	2,638,609	16,250,940
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	6,101	-	7,011,581
Support services	-	-	-	48,586	-	-	-	-	4,297,845
Noninstructional services	-	-	-	-	-	-	-	-	852,452
Facilities acquisition and construction	-	-	-	-	-	-	-	-	784,675
Debt services	-	-	-	-	-	-	-	-	1,314,927
Nonprogrammed charges	-	-	-	-	-	-	-	2,639,088	2,643,588
Total disbursements	-	-	-	48,586	-	-	6,101	2,639,088	16,905,068
Excess (deficiency) of receipts over disbursements	-	-	-	1,450	-	-	-	(479)	(654,128)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	1,450	-	-	-	(479)	(654,128)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 382	\$ 2,592,585

SOUTHEASTERN SCHOOL CORPORATION
 SCHEDULE OF LEASES AND DEBT
 June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
	Southeastern Multi-Purpose School Building	\$ 378,000	01-05-02	12-31-13
	Southeastern Cass School Building Corp	<u>290,000</u>	0715-09	01-15-21
Total of annual lease payments		<u>\$ 668,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Severance/Retirement Bond	<u>\$ 510,000</u>	<u>\$ 272,380</u>

SOUTHEASTERN SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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>Ending Balance</u>
Governmental activities:	
Land	\$ 2,069,500
Infrastructure	
Buildings	27,659,000
Improvements other than buildings	2,062,705
Machinery, equipment, and vehicles	<u>4,507,705</u>
Total capital assets	<u>\$ 36,298,910</u>

SOUTHEASTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ADMINISTRATORS' CONTRACTS

Administrators, other than the Superintendent, did not have contracts for the audit period. A similar comment appeared in prior Report B40067.

Indiana Code 20-28-8-2 states in part:

"A contract of employment shall be entered into between the governing body of the school corporation and a principal or assistant principal subject to the following conditions:

- (1) The basic contract must be the regular teacher's contract as prescribed by the state superintendent.
- (2) The term of the initial contract must be the equivalent of at least two (2) school years.
- (3) The contract may be altered, modified, or rescinded in favor of a new contract at any time by mutual consent of the governing body of the school corporation and the principal or assistant principal . . . "

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. The record balance exceeded the bank balance, after adjustments for outstanding items, by \$10,715.87 at the start of the audit period and \$15,224.34 at the end of the audit period. A similar comment appeared in prior Report B40067.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTHEASTERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

PUBLIC WORKS PROJECT - High School Lunch Room Floor

Southeastern School Corporation, during 2011, contracted for the manufacture and installation of a lunch room floor at the high school. The total cost of this project was \$55,242, which includes a \$1,442 change order. There was no evidence presented for audit that quotes were solicited.

Indiana Code 36-1-12-4.7 states in part:

"(a) . . . whenever a public work project is estimated to cost: . . . at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000) . . .

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2013-005 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Equipment and Real Property Management that is applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2011 to June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-003, and 2013-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items, 2013-002, 2013-003, 2013-004, 2013-005, and 2013-006 to be material weaknesses.

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

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



Paul D. Joyce, CPA
State Examiner

March 4, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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SOUTHEASTERN SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. Department of Agriculture</u>					
Child Nutrition Cluster	Indiana Department of Education				
School Breakfast Program		10.553	FY 2012	\$ 52,655	\$ 45,564
National School Lunch Program		10.555	FY 2013	<u>255,215</u>	<u>277,910</u>
Total - Child Nutrition Cluster				<u>\$ 307,870</u>	<u>\$ 323,474</u>
Child and Adult Care Food Program		10.558	FY 2012	<u>\$ 769</u>	<u>\$ -</u>
<u>U.S. Department of Education</u>					
Title I, Part A Cluster	Indiana Department of Education	84.010			
Title I Grants to Local Educational Agencies			FY 2010-2011	\$ 39,191	\$ -
			FY 2011-2012	179,868	23,766
			FY 2012-2013	<u>-</u>	<u>167,876</u>
Total - Title I, Part A Cluster				<u>\$ 219,059</u>	<u>\$ 191,642</u>
Migrant Education - State Grant Program	Indiana Department of Education	84.011			
Title III, English Proficiency, Language Instruction			FY 2011-2012	<u>\$ 23,699</u>	<u>\$ -</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
Title II, Part A - Improving Teacher Quality - Professional Development			FY 2010-2011	\$ 32,733	\$ -
			FY 2011-2012	32,599	10,355
			FY 2012-2013	<u>-</u>	<u>39,681</u>
Total - Improving Teacher Quality State Grants				<u>\$ 65,332</u>	<u>\$ 50,036</u>
Education Jobs Fund	Indiana Department of Education	84.410			
Education Jobs Fund			FY 2011-2012	\$ 298,802	\$ -
			FY 2012-2013	<u>-</u>	<u>6,101</u>
Total - Education Jobs Fund				<u>\$ 298,802</u>	<u>\$ 6,101</u>
Total federal awards expended				<u>\$ 915,531</u>	<u>\$ 571,253</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

Note 1. 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 cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	\$ 40,875	\$ 46,098

SOUTHEASTERN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

Section III – Federal Award Findings and Questioned Costs

***FINDING 2013-002 - INTERNAL CONTROLS AND NON-COMPLIANCE
OVER REPORTING - CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

The Corporation has not established controls sufficient to ensure that the required reports to the Indiana Department of Education are accurately prepared.

The School filed an annual report as required by the Indiana Department of Education for the school years of 2011-2012 and 2012-2013 that did not agree with their financial records.

7 CFR 210.15 (a) states in part: "Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program requirements. . . ."

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

7 CFR 3016.20 (b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards: (1) *Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to comply with these requirements and establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the proper preparation and review of information provided in the Child Nutrition Cluster reports.

***FINDING 2013-003 - INTERNAL CONTROL AND NONCOMPLIANCE
ALLOWABLE COSTS AND ACTIVITIES - CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the School has not established an effective internal control system, which would include segregation of duties, related to the Allowable Costs and Activities provisions of the Child Nutrition Cluster. These controls have a direct and material effect to the program. A lack of sufficient controls over this compliance requirement resulted in the School Corporation expending school lunch funds for expenses outside the scope of the program.

Of the 60 disbursements tested, one was not an allowable expense of the Child Nutrition Cluster.

This claim was for the purchase of a \$28,000, 7.2 terabyte B SAN Hard-drive for the School Corporation. The entire cost of the item was charged to the School's Lunch Fund. The IT personnel at the Corporation stated that it would be realistic to assume 1/7th of the drive would be used to back-up the school lunch's software program. Therefore, we conclude that \$24,000 of this expenditure is a questioned cost.

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service*. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service . . ."

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to comply with these requirements and establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management implement internal controls necessary to ensure that expenditures comply with the allowable activities requirement of this grant.

***FINDING 2013-004 - INTERNAL CONTROL AND NONCOMPLIANCE
OVER PROCUREMENT – CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Procurement, Suspension, and Debarment provision of the Child Nutrition Cluster. These controls have a direct and material effect to the programs listed above.

The lack of sufficient controls over this compliance requirement have resulted in the School expending \$55,242 from the school lunch funds for the installation of a new floor in the high school cafeteria without inviting quotes.

7CFR 3016.36 (b)(1) states in part:

"Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 36-1-12-4.7 establishes the following procedure for public works projects costing more than \$50,000:

"The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to comply with these requirements and establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could jeopardize future school lunch subsidies from the federal government.

We recommend that the School Corporation's management establish controls, including segregation of duties, designed to provide reasonable assurance of compliance with the procurement requirements of this grant.

***FINDING 2013-005 - INTERNAL CONTROL AND NONCOMPLIANCE OVER
EQUIPMENT AND REAL PROPERTY MANAGEMENT – CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Equipment and Real Property Management provision of the Child Nutrition Cluster. These controls have a direct and material effect to the programs listed above.

The School Corporation does not maintain records that identify equipment and other property acquired with federal monies. No system exists to provide separated identification for items acquired with federal and non-federal funds. No physical annual inventory of federally purchased equipment was presented for audit. Equipment purchases during the audit period represent 17.5 percent of grant expenditures from the Child Nutrition Cluster.

7 CFR 3015.169 states in part:

". . . (a) Property records shall be maintained accurately. (Subpart D of this part contains retention and access requirements for these records.) The records shall include for each item of equipment the following:

- (1) A description of the equipment including manufacturer's serial numbers.
- (2) An identification number, such as the manufacturer's serial number.
- (3) Identification of the grant under which the recipient acquired the equipment.
- (4) The information needed to calculate the Federal share of the equipment (see §3015.172).
- (5) Acquisition date and unit acquisition cost.
- (6) Location, use and condition of the equipment and the date the information was reported.

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

- (7) All pertinent information on the ultimate transfer, replacement, or disposal of the equipment. (b) Every two years, at a minimum, a physical inventory shall be conducted and the results reconciled with the property records to verify the existence, current utilization, and continued need for the equipment. Any discrepancies between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences. . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommend that School Corporation's management design and properly monitor procedures that would ensure accurate detailed fixed asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

FINDING 2013-006 - INTERNAL CONTROLS OVER CASH MANAGEMENT, PROGRAM INCOME, ELIGIBILITY, SPECIAL TESTS AND PROVISIONS – CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2012 and FY 2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect to the program: Cash Management, Program Income, Eligibility, and Special Tests and Provisions - Verification of Free and Reduced Price Applications. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This

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

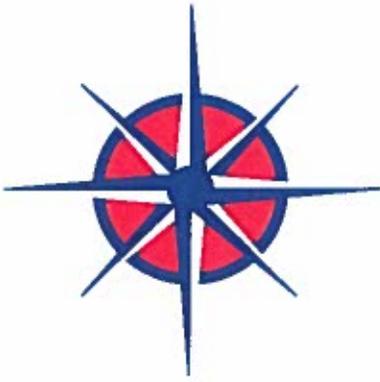
is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



Southeastern SCHOOL CORPORATION

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Summary Schedule of Prior Audit Finding

Auditee Contact Person: Darlene Martin
Title of Contact Person: Treasurer
Phone Number: 574-626-2525

Section III-Federal Award Findings and Questioned Costs

Finding 2011-03, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: U.S. Department of Education

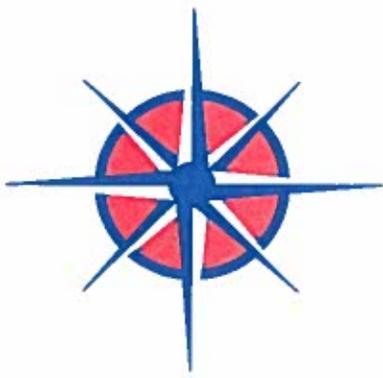
Federal Program: ARRA State Fiscal Stabilization Fund-Education State Grants, Recovery Act
CFDA Number 84-394

Pass Through Agency: Indiana Department of Education

Lack of Segregation of Duties: The administration office has reviewed office procedures and with the addition of new office personnel the duties have now been distributed in a way to more evenly segregate duties. The new employee is responsible for the balancing of the bank statement and is not involved in the producing of either expense or payroll checks or receipts. The administration personnel have also implemented a policy where one person will review the accounting activities performed by another person.



Darlene Martin, Treasurer



Southeastern

SCHOOL CORPORATION

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March 4, 2014

CORRECTIVE ACTION PLAN

Auditee Contact Person: Darlene Martin
Title of Contact Person: Treasurer
Phone Number: 574-626-2525

Section II-Financial Statement Findings

Finding 2013-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1. Lack of segregation of duties. The administration feels that this issue has been resolved with the change in staff. Bank reconciliations are now done by an employee who is not responsible for receipts, disbursements, payroll and related liabilities, and cash and investment balances.
2. Preparing Financial Statements. Financial reports shall be reviewed and signed by additional personnel.
3. Monitoring of Controls. Provide check list at end of month to verify that reports were reviewed and signed.

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002, INTERNAL CONTROLS AND NON-COMPLIANCE OVER REPORTING – CHILD NUTRITION CLUSTER

Federal Agency: U.S. DEPARTMENT OF AGRICULTURE

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 & 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013

Pass-Through Entity: Indiana Department of Education

1. Sufficient controls over reports. Reports shall be reviewed and signed by additional personnel before submitting.

FINDING 2013-003, INTERNAL CONTROL AND NONCOMPLIANCE ALLOWABLE COSTS & ACTIVITIES – CHILD NUTRITION CLUSTER

Federal Agency: U.S. DEPARTMENT OF AGRICULTURE

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013

Pass-Through Entity: Indiana Department of Education

1. Allowable costs and activities requirements of a grant. Additional personnel will review each claim before it is processed. Present Superintendent will closely review each purchase order before processed to assure that the proper revenue is expended.

FINDING 2013-004, INTERNAL CONTROL AND COMPLIANCE OVER PROCUREMENT – CHILD NUTRITION CLUSTER

Federal Agency: U.S. DEPARTMENT OF AGRICULTURE

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013

Pass-Through Entity: Indiana Department of Education

1. Present Superintendent is aware of the Indiana code which states that bids shall be done on purchases of more than \$50,000. Accounts payable clerk will also comply with this statute and the treasurer will check all claims before processed.

FINDING 2013-005, INTERNAL CONTROL AND NONCOMPLIANCE OVER EQUIPMENT & REAL PROPERTY MANAGEMENT – CHILD NUTRITION CLUSTER

Federal Agency: U.S. DEPARTMENT OF AGRICULTURE

Federal Program: Child Nutrition Cluster

CFDA Number: 10.555

Federal Award Number and Year (or Other Identifying Number): SY 2011-2012 & 2012&2013

Pass-Through Entity: Indiana Department of Education

1. Property records maintenance. Accounts payable clerk will maintain a record of each item purchased over the \$10,000 threshold set by the Southeastern School Board. The superintendent has already spoken with an evaluation company to audit the property with the rules set forth by the law.

FINDING 2013-006, INTERNAL CONTROLS OVER CASH MANAGEMENT, PROGRAM INCOME, ELIGIBILITY, SPECIAL TESTS & PROVISIONS – CHILD NUTRITION CLUSTER

Federal Agency: U.S. DEPARTMENT OF AGRICULTURE

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 & 10.555

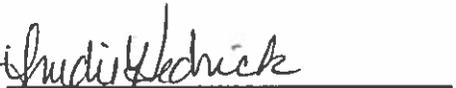
Federal Award Year (or Other Identifying Number): SY 2011-2012 & SY 2012-2013

Pass-Through Entity: Indiana Department of Education

1. With new staff, there is now segregation of duties which will improve internal controls. The Free and Reduced program will be administered in the Superintendent's office.



Darlene Martin, Treasurer



Trudie Hedrick, Superintendent



Ian Jay, School Board President

SOUTHEASTERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2014, with Trudie Hedrick, Superintendent of Schools; Ian D. Jay, President of the School Board; and Darlene Martin, Treasurer.