

**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, 2013 to June 30, 2015



**FILED**  
08/26/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darlene Martin	07-01-13 to 06-30-16
Superintendent of Schools	Trudie Hedrick John Sayers (Interim) Dr. Tim Garland	07-01-13 to 06-30-15 07-01-15 to 12-31-15 01-01-16 to 12-31-16
President of the School Board	Gary Akers Ian D. Jay Mary Hartley Ryan Zeck	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



## 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, 2013, to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

### ***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, 2013, to June 30, 2015.

***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, 2013, to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*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.


*Other Information*

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 and Schedule of Leases and Debt, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2016, 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.

  
Paul D. Joyce, CPA  
State Examiner

June 28, 2016



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2013, to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated June 28, 2016, 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 items 2015-001 and 2015-002 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002.

**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

June 28, 2016

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 28,869	\$ 8,483,662	\$ 8,540,576	\$ 47,907	\$ 19,862	\$ 8,404,276	\$ 8,154,138	\$ -	\$ 270,000
Debt Service	399,583	1,046,884	1,059,000	-	387,467	1,072,985	1,139,909	-	320,543
Retirement/Severance Bond Debt Service	162,364	269,317	272,380	-	159,301	124,662	268,498	-	15,465
Capital Projects	511,360	1,283,538	1,318,833	-	476,065	1,350,906	1,181,808	-	645,163
School Transportation	243,081	904,607	831,594	-	316,094	942,453	888,498	5,286	375,335
School Bus Replacement	222,254	232,469	292,319	-	162,404	239,099	218,706	-	182,797
Rainy Day	391,159	-	329,948	-	61,211	-	-	-	61,211
Post-Retirement/Severance Future Benefits	45,456	-	37,500	-	7,956	-	-	-	7,956
Construction	-	-	-	-	-	2,023,749	1,057,325	-	966,424
School Lunch	358,318	617,164	682,583	(47,907)	244,992	611,306	691,755	-	164,543
Textbook Rental	161,141	133,030	107,196	-	186,975	115,626	90,930	-	211,671
Levy Excess	5,286	-	-	-	5,286	-	-	(5,286)	-
Educational License Plates	19	150	85	-	84	-	60	-	24
Early Intervention Grant	-	-	-	-	-	9,977	9,977	-	-
Reading Recovery	196	-	-	-	196	-	-	-	196
Donations, Gifts, and Trusts	221	-	-	-	221	-	221	-	-
Graduation Project Award	-	-	-	-	-	1,000	-	-	1,000
Wilson Scholarship	33,005	16	2,000	-	31,021	12	2,000	-	29,033
Catt Scholarship	90	(3)	-	-	87	-	-	-	87
Maxwell Scholarship	3,726	-	500	-	3,226	-	500	-	2,726
Campbell Scholarship	1,252	473	-	-	1,725	-	500	-	1,225
Gordon Riley Scholarship	5,408	1	1,000	-	4,409	-	-	-	4,409
Arion Scholarship	-	-	-	-	-	7,546	-	-	7,546
Bashore Scholarship	-	-	-	-	-	5,343	-	-	5,343
Construction, Remodeling, and Equipping Buildings	-	24,000	24,000	-	-	-	-	-	-
Professional Development	3,712	8	3,720	-	-	-	-	-	-
High Ability Grant	3,500	29,744	24,520	-	8,724	30,080	38,804	-	-
Secured Schools Safety Grant	-	-	-	-	-	40,640	90,088	-	(49,448)
Non-English Speaking Programs P.L. 273-1999	-	4,222	4,222	-	-	3,390	3,390	-	-
School Technology	18,364	6,228	12,348	-	12,244	4,756	-	-	17,000
Technology Grants [IC 20-40-15]	1,439	-	-	-	1,439	1,522	-	-	2,961
Title I - 4100	(7,601)	32,233	24,632	-	-	95,508	99,898	-	(4,390)
Title I - 4110	1	118,360	123,482	-	(5,121)	37,491	32,370	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	30,042	32,952	-	(2,910)	43,398	37,757	-	2,731
Payroll Withholdings	382	2,421,389	2,417,819	-	3,952	2,669,668	2,670,733	-	2,887
<b>Totals</b>	<b>\$ 2,592,585</b>	<b>\$ 15,637,534</b>	<b>\$ 16,143,209</b>	<b>\$ -</b>	<b>\$ 2,086,910</b>	<b>\$ 17,835,393</b>	<b>\$ 16,677,865</b>	<b>\$ -</b>	<b>\$ 3,244,438</b>

The notes to the financial statement is 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, which 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, which 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.

Temporary loans, which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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 include 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 include 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:

SOUTHEASTERN SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*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.



SOUTHEASTERN SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 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 Plan**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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  
One North Capitol, 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  
One North Capitol, 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 that were set up as reimbursable grants. Reimbursements for expenditures made by the School Corporation were not received by June 30, 2014, or June 30, 2015.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with the Southeastern Cass School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2014, and June 30, 2015, totaled \$1,059,000 and \$1,072,000, respectively.

#### OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 other 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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 28,869	\$ 399,583	\$ 162,364	\$ 511,360	\$ 243,081	\$ 222,254	\$ 391,159	\$ 45,456	\$ -
Receipts:									
Local sources	39,460	1,046,884	269,317	1,279,191	896,536	232,469	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	8,397,280	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	46,922	-	-	4,347	8,071	-	-	-	-
Total receipts	8,483,662	1,046,884	269,317	1,283,538	904,607	232,469	-	-	-
Disbursements:									
Instruction	6,132,301	-	-	-	-	-	178,150	37,500	-
Support services	2,150,066	-	-	765,802	831,594	292,319	151,798	-	-
Noninstructional services	258,209	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	553,031	-	-	-	-	-
Debt services	-	1,059,000	272,380	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	8,540,576	1,059,000	272,380	1,318,833	831,594	292,319	329,948	37,500	-
Excess (deficiency) of receipts over disbursements	(56,914)	(12,116)	(3,063)	(35,295)	73,013	(59,850)	(329,948)	(37,500)	-
Other financing sources (uses):									
Transfers in	47,907	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	47,907	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,007)	(12,116)	(3,063)	(35,295)	73,013	(59,850)	(329,948)	(37,500)	-
Cash and investments - ending	\$ 19,862	\$ 387,467	\$ 159,301	\$ 476,065	\$ 316,094	\$ 162,404	\$ 61,211	\$ 7,956	\$ -

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, 2014  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery	Donations, Gifts and Trusts	Graduation Project Award	Wilson Scholarship
Cash and investments - beginning	\$ 358,318	\$ 161,141	\$ 5,286	\$ 19	\$ -	\$ 196	\$ 221	\$ -	\$ 33,005
Receipts:									
Local sources	296,438	94,916	-	-	-	-	-	-	16
Intermediate sources	-	-	-	150	-	-	-	-	-
State sources	199,803	38,058	-	-	-	-	-	-	-
Federal sources	119,867	-	-	-	-	-	-	-	-
Other receipts	1,056	56	-	-	-	-	-	-	-
Total receipts	<u>617,164</u>	<u>133,030</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	26,323	107,196	-	85	-	-	-	-	-
Noninstructional services	517,402	-	-	-	-	-	-	-	-
Facilities acquisition and construction	138,858	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	2,000
Total disbursements	<u>682,583</u>	<u>107,196</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Excess (deficiency) of receipts over disbursements	<u>(65,419)</u>	<u>25,834</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,984)</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(47,907)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(47,907)</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>(113,326)</u>	<u>25,834</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,984)</u>
Cash and investments - ending	<u>\$ 244,992</u>	<u>\$ 186,975</u>	<u>\$ 5,286</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 196</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 31,021</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, 2014  
 (Continued)

	Catt Scholarship	Maxwell Scholarship	Campbell Scholarship	Gordon Riley Scholarship	Arion Scholarship	Bashore Scholarship	Construction, Remodeling, and Equipping Buildings	Professional Development	High Ability Grant
Cash and investments - beginning	\$ 90	\$ 3,726	\$ 1,252	\$ 5,408	\$ -	\$ -	\$ -	\$ 3,712	\$ 3,500
Receipts:									
Local sources	(3)	-	473	1	-	-	24,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	8	29,744
Federal sources	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	(3)	-	473	1	-	-	24,000	8	29,744
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	24,520
Support services	-	-	-	-	-	-	-	3,720	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	24,000	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	500	-	1,000	-	-	-	-	-
Total disbursements	-	500	-	1,000	-	-	24,000	3,720	24,520
Excess (deficiency) of receipts over disbursements	(3)	(500)	473	(999)	-	-	-	(3,712)	5,224
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	(3)	(500)	473	(999)	-	-	-	(3,712)	5,224
Cash and investments - ending	\$ 87	\$ 3,226	\$ 1,725	\$ 4,409	\$ -	\$ -	\$ -	\$ -	\$ 8,724

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, 2014  
 (Continued)

	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Title I - 4100	Title I - 4110	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 18,364	\$ 1,439	\$ (7,601)	\$ 1	\$ -	\$ 382	\$ 2,592,585
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,179,698
Intermediate sources	-	-	-	-	-	-	-	-	150
State sources	-	4,222	6,228	-	-	-	-	-	8,675,343
Federal sources	-	-	-	-	32,233	118,360	30,042	-	300,502
Other receipts	-	-	-	-	-	-	-	2,421,389	2,481,841
Total receipts	-	4,222	6,228	-	32,233	118,360	30,042	2,421,389	15,637,534
Disbursements:									
Instruction	-	4,222	-	-	24,632	117,713	-	-	6,519,038
Support services	-	-	-	-	-	5,699	32,952	-	4,367,554
Noninstructional services	-	-	-	-	-	70	-	-	775,681
Facilities acquisition and construction	-	-	12,348	-	-	-	-	-	728,237
Debt services	-	-	-	-	-	-	-	-	1,331,380
Nonprogrammed charges	-	-	-	-	-	-	-	2,417,819	2,421,319
Total disbursements	-	4,222	12,348	-	24,632	123,482	32,952	2,417,819	16,143,209
Excess (deficiency) of receipts over disbursements	-	-	(6,120)	-	7,601	(5,122)	(2,910)	3,570	(505,675)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	47,907
Transfers out	-	-	-	-	-	-	-	-	(47,907)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(6,120)	-	7,601	(5,122)	(2,910)	3,570	(505,675)
Cash and investments - ending	\$ -	\$ -	\$ 12,244	\$ 1,439	\$ -	\$ (5,121)	\$ (2,910)	\$ 3,952	\$ 2,086,910

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post- Retirement/ Severance Future Benefits	Construction
Cash and investments - beginning	\$ 19,862	\$ 387,467	\$ 159,301	\$ 476,065	\$ 316,094	\$ 162,404	\$ 61,211	\$ 7,956	\$ -
Receipts:									
Local sources	50,269	1,072,985	124,662	1,321,539	928,364	239,099	-	-	-
State sources	8,290,380	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	2,023,749
Other receipts	63,627	-	-	29,367	14,089	-	-	-	-
Total receipts	8,404,276	1,072,985	124,662	1,350,906	942,453	239,099	-	-	2,023,749
Disbursements:									
Instruction	5,521,192	-	-	-	-	-	-	-	-
Support services	2,372,703	-	-	728,543	888,498	218,706	-	-	-
Noninstructional services	260,243	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	453,265	-	-	-	-	1,057,325
Debt services	-	1,139,909	268,498	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	8,154,138	1,139,909	268,498	1,181,808	888,498	218,706	-	-	1,057,325
Excess (deficiency) of receipts over disbursements	250,138	(66,924)	(143,836)	169,098	53,955	20,393	-	-	966,424
Other financing sources (uses):									
Transfers in	-	-	-	-	5,286	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	5,286	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	250,138	(66,924)	(143,836)	169,098	59,241	20,393	-	-	966,424
Cash and investments - ending	\$ 270,000	\$ 320,543	\$ 15,465	\$ 645,163	\$ 375,335	\$ 182,797	\$ 61,211	\$ 7,956	\$ 966,424



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, 2015  
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery	Donations, Gifts and Trusts	Graduation Project Award	Wilson Scholarship
Cash and investments - beginning	\$ 244,992	\$ 186,975	\$ 5,286	\$ 84	\$ -	\$ 196	\$ 221	\$ -	\$ 31,021
Receipts:									
Local sources	307,731	74,090	-	-	-	-	-	1,000	12
State sources	71,437	41,486	-	-	9,977	-	-	-	-
Federal sources	231,270	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	868	50	-	-	-	-	-	-	-
Total receipts	611,306	115,626	-	-	9,977	-	-	1,000	12
Disbursements:									
Instruction	-	-	-	-	9,977	-	-	-	-
Support services	70,314	90,930	-	60	-	-	221	-	-
Noninstructional services	595,388	-	-	-	-	-	-	-	-
Facilities acquisition and construction	26,053	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	2,000
Total disbursements	691,755	90,930	-	60	9,977	-	221	-	2,000
Excess (deficiency) of receipts over disbursements	(80,449)	24,696	-	(60)	-	-	(221)	1,000	(1,988)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(5,286)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(5,286)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(80,449)	24,696	(5,286)	(60)	-	-	(221)	1,000	(1,988)
Cash and investments - ending	\$ 164,543	\$ 211,671	\$ -	\$ 24	\$ -	\$ 196	\$ -	\$ 1,000	\$ 29,033

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, 2015  
 (Continued)

	Catt Scholarship	Maxwell Scholarship	Campbell Scholarship	Gordon Riley Scholarship	Arion Scholarship	Bashore Scholarship	Construction, Remodeling, and Equipping Buildings	Professional Development	High Ability Grant
Cash and investments - beginning	\$ 87	\$ 3,226	\$ 1,725	\$ 4,409	\$ -	\$ -	\$ -	\$ -	\$ 8,724
Receipts:									
Local sources	-	-	-	-	7,546	5,343	-	-	-
State sources	-	-	-	-	-	-	-	-	30,080
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	7,546	5,343	-	-	30,080
Disbursements:									
Instruction	-	-	-	-	-	-	-	-	38,804
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	500	500	-	-	-	-	-	-
Total disbursements	-	500	500	-	-	-	-	-	38,804
Excess (deficiency) of receipts over disbursements	-	(500)	(500)	-	7,546	5,343	-	-	(8,724)
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	-	(500)	(500)	-	7,546	5,343	-	-	(8,724)
Cash and investments - ending	\$ 87	\$ 2,726	\$ 1,225	\$ 4,409	\$ 7,546	\$ 5,343	\$ -	\$ -	\$ -

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, 2015  
 (Continued)

	Secured Schools Safety Grant	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Title I - 4100	Title I - 4110	Improving Teaching Quality, No Child Left, Title II, Part A	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 12,244	\$ 1,439	\$ -	\$ (5,121)	\$ (2,910)	\$ 3,952	\$ 2,086,910
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,132,640
State sources	40,640	3,390	4,756	1,522	-	-	-	-	8,493,668
Federal sources	-	-	-	-	95,508	37,491	43,398	-	407,667
Temporary loans	-	-	-	-	-	-	-	-	2,023,749
Other receipts	-	-	-	-	-	-	-	2,669,668	2,777,669
Total receipts	40,640	3,390	4,756	1,522	95,508	37,491	43,398	2,669,668	17,835,393
Disbursements:									
Instruction	-	3,390	-	-	92,538	32,370	-	-	5,698,271
Support services	90,088	-	-	-	7,100	-	37,757	-	4,504,920
Noninstructional services	-	-	-	-	260	-	-	-	855,891
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,536,643
Debt services	-	-	-	-	-	-	-	-	1,408,407
Nonprogrammed charges	-	-	-	-	-	-	-	2,670,733	2,673,733
Total disbursements	90,088	3,390	-	-	99,898	32,370	37,757	2,670,733	16,677,865
Excess (deficiency) of receipts over disbursements	(49,448)	-	4,756	1,522	(4,390)	5,121	5,641	(1,065)	1,157,528
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	5,286
Transfers out	-	-	-	-	-	-	-	-	(5,286)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(49,448)	-	4,756	1,522	(4,390)	5,121	5,641	(1,065)	1,157,528
Cash and investments - ending	\$ (49,448)	\$ -	\$ 17,000	\$ 2,961	\$ (4,390)	\$ -	\$ 2,731	\$ 2,887	\$ 3,244,438

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SOUTHEASTERN SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Southeastern Cass School Building Corporation	Building Renovations	<u>\$ 1,072,000</u>	07/15/2009	01/15/2021

Description of Debt	Type	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General Obligation Bonds		Construction	<u>\$ 1,960,000</u>	<u>\$ 135,700</u>

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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, 2013, to June 30, 2015. 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.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2013, to June 30, 2015.



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

**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 2015-003, 2015-005, 2015-006, and 2015-007. 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**

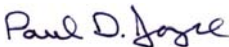
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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.

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 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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, 2014 and 2015

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	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY2014, FY2015	\$ -	\$ 48,382	\$ -	\$ 50,784
National School Lunch Program	Indiana Department of Education	10.555	FY2014, FY2015	-	262,801	-	242,093
National School Lunch Program - Commodities			FY2014, FY2015	-	43,610	-	44,072
Total - National School Lunch Program				-	306,411	-	286,165
Total - Child Nutrition Cluster				-	354,793	-	336,949
Total - Department of Agriculture				-	354,793	-	336,949
<b>Department of Education</b>							
Title I Grants to Local Educational Agencies							
	Indiana Department of Education	84.010	13-0815	-	32,233	-	-
			14-0815	-	118,362	-	37,491
			15-0815	-	-	-	95,507
Total - Title I Grants to Local Educational Agencies				-	150,595	-	132,998
Special Education Cluster							
Special Education_Grants to States							
FY 2012 Federal Part B 611 Grant	Indiana Department of Education	84.027	14212-037-PN01	-	14,643	-	-
FY 2013 Federal Part B 611 Grant			14213-037-PN01	-	248,969	-	2,640
FY 2014 Federal Part B 611 Grant			14214-037-PN01	-	43,710	-	254,982
FY 2014 Federal Technical Assistance Grant Part B Funds			99914-037-PN01-TA01	-	923	-	4,673
FY 2015 Federal Part B 611 Grant			14215-037-PN01	-	-	-	72,064
Total - Special Education_Grants to States				-	308,245	-	334,359
Special Education_Preschool Grants							
FY 2013 Federal Part B 619 Grant	Indiana Department of Education	84.173	45713-037-PN01	-	4,953	-	-
FY 2014 Federal Part B 619 Grant			45714-037-PN01	-	2,615	-	4,484
FY 2015 Federal Part B 619 Grant			45715-037-PN01	-	-	-	2,055
Total - Special Education_Preschool Grants				-	7,568	-	6,539
Total - Special Education Cluster				-	315,813	-	340,898
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY2014, FY2015	-	30,043	-	43,397
Total - Department of Education				-	496,451	-	517,293
Total federal awards expended				\$ -	\$ 851,244	\$ -	\$ 854,242

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2014, and June 30, 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative (Cooperative). As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

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?	yes

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:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

Child Nutrition Cluster  
Special Education Cluster

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 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

Several deficiencies were identified in the internal control system of the School Corporation related to financial transactions and reporting. These deficiencies constitute material weaknesses. Control activities should have been selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation had not separated incompatible activities related to receipts and payroll disbursements. One person issued receipts, recorded receipts, and prepared the deposit tickets. Also, one person prepared and processed payroll. Control activities should have been in place to reduce the risks of errors in financial reporting.

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

*Criteria*

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)

*Cause*

Management of the School Corporation had not established a proper system of internal control that would ensure accuracy in financial transactions and reporting.

*Effect*

The failure to establish controls would have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA had the following errors for the 2013-2014 and 2014-2015 school years, respectively:

1. School Breakfast Program expenditures were overstated \$682,108 and \$640,970.
2. National School Lunch Program expenditures were understated \$262,801 and \$242,093.
3. National School Lunch Program expenditures omitted commodities of \$43,610 and \$44,072.
4. Title I Grants to Local Educational Agencies expenditures were understated \$5,195 and \$731.
5. Improving Teacher Quality State Grants expenditures were understated \$-0- and \$5,631.



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

6. Several CFDA numbers were omitted or were incorrect.
7. Program titles were not always correct.
8. Program identifying numbers were not always included.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. . . ."

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

*Cause*

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA would have remained undetected.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

**FINDING 2015-003 - CASH MANAGEMENT**

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015  
Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with the Cash Management compliance requirements. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months.

The 2013-2014 school year average cash balance was \$291,771; the average expenditures for three months was \$219,147. The 2014-2015 school year average cash balance was \$213,383; the average expenditures for three months was \$207,527.

*Context*

The monthly ending balance in the School Lunch fund exceeded the average expenditure for 3 months during 18 of the 24 months of the audit period.

*Criteria*

7 CFR 220.7(e)(1)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency."

7 CFR section 210.14(b) states: "*Net cash resources.* The School Food Authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with section 210.19(a)."

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. . . ."

*Cause*

Management did not develop a system of internal controls that segregated key functions. The School Corporation had not developed or implemented a plan to reduce the cash balances of the School Lunch fund to an amount that did not exceed the average expenditures for three months.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

We also recommended that the School Corporation's management comply with the Cash Management requirements of the programs.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-004 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

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

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles*

There were no controls in place to ensure that vendor and payroll expenditures were for activities or costs that were allowable for the programs.

*Eligibility*

There were no controls in place to ensure that determinations of eligibility for free and reduced price meals were accurate.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

There were no controls in place to ensure that the verifications of free and reduced price meal applications were performed and were accurate.

*Context*

The School Corporation had a lack of internal controls throughout the audit period.

*Criteria*

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. . . ."

*Cause*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

The School Corporation did not maintain property records that included a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, and use and condition of the property.

*Context*

The School Corporation had a lack of internal controls and had not maintained property records throughout the audit period.

*Criteria*

7 CFR 3016.32 states in part:

". . . (b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

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. . . ."

*Cause*

There were no controls in place to ensure that appropriate property records were maintained.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement over Equipment and Real Property Management.

In addition, we recommended that the School Corporation comply with the Equipment requirements of the programs.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-006 - REPORTING**

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015  
Pass-Through Entity: Indiana Department of Education

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

*Condition*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirement for Reporting.

There were no controls in place to ensure that the required Sponsor Claims (claims for reimbursement) and Annual Financial Reports (AFR) were accurate and complete.

Cash balances in the AFR filed for the 2013-2014 and 2014-2015 school years did not agree with the School Corporation's fund AFR balances for either year.

*Context*

No controls were identified for the 20 Sponsor Claims (claims for reimbursement) that were filed during the audit period. There was a control in place to ensure that the two AFRs were accurately prepared; however, the control was not effective. As noted in the prior Audit Report B43352, previous AFRs filed also contained errors in the cash balances.

*Criteria*

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. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

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. . . ."

*Cause*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Reporting requirements. There were no controls in place to ensure that accurate financial reports were prepared and submitted.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement for Reporting.

In addition, we recommended that the School Corporation comply with the Reporting requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2015-007 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity requirements. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the paid Lunch Equity Calculation was performed accurately in accordance with the compliance requirement.

The School Corporation did not properly comply with requirements for calculating meal prices. A "bonus meal" was awarded to individuals based on every \$40 received in prepayment for meals. By offering a "bonus meal" the School Corporation was charging less than the Board approved meal rates.

*Context*

The lack of properly designed or implemented controls and the noncompliance with the Special Test and Provisions - Paid Lunch Equity requirements applies to both years of the audit period. The "bonus meal" program had been used for numerous months.

*Criteria*

7 CFR 210.14(e) states in part:

*"Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.



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

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority. . . ."

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. . . ."

*Cause*

Management did not develop a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

In addition, we recommended that the School Corporation's management comply with the Special Tests and Provisions - Paid Lunch Equity requirements of the program.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



# Southeastern SCHOOL CORPORATION

100 S. Main St. • Walton, IN 46994  
Phone: 574-626-2525 – FAX: 574-626-2751  
www.sesc.k12.in.us

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal years in which the finding initially occurred: 2011-2013  
Pass-Through Entity: Indiana Department of Education  
Auditee Contact Person: Darlene Martin, Treasurer  
Contact Phone Number: 574-626-2525

### Section III – Federal Award Findings and Questioned Costs

#### Finding 2013-002

1. During our present audit period, we had a change in staff with the addition of a Food Service Director, we now have more individuals to prepare and monitor the reports. The information will come from the food service department, entered by the Deputy Treasurer and signed off on by the Treasurer.

#### Finding 2013-003

1. The Food Service Director does a request of purchase for any items over the usual required (i.e. food and supplies). The Superintendent approves the ordering of the item(s) after conferring with the Treasurer on the balance of the fund.

#### Finding 2013-004

1. Our cost of procurement threshold is set at \$50,000. Any purchase over that amount must have three bids presented. The bids are reviewed by the Superintendent and school board and the contract is awarded to the company that best meets our requirements.

#### Finding 2013-005

1. We are still in the process of correcting this issue.

Finding 2013-006

Cash Management – The Deputy Treasurer processes reports for receipts and expenses and checks for accuracy with the State and Federal information. She also checks balances in our cafeteria program (Nutri-kids). She enters this information in the State report. Treasurer checks the information and signs off before the report is submitted to the State.

Program Income - We are still in the process of correcting this issue.

Eligibility - With the coming new school year, registrations will be done online. Included in the registration program will be the free and reduced application that the parents will be required to complete. Information will have to be complete before the program will accept the application. It will of course be reviewed by administration staff.

Special Test and Provisions - Our free and reduced applications are now done in this office as of the SY 15-16. They are entered into the program by one individual and when she receives the report that asks for direct verification, another individual is responsible for checking.

Darlene Marten  
(Signature)

Treasurer  
(Title)

04/28/2016  
(Date)



# Southeastern SCHOOL CORPORATION

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## CORRECTIVE ACTION PLAN

### Finding 2015-001

Contact Person Responsible for Corrective Action: Darlene Martin  
Contact Phone Number: 574-626-2525

#### Description of Corrective Action Plan:

Lack of segregation of duties:

1. Separate staff member is now checking the deposit slips which are then copied and attached to the bank receipt. This same person is responsible for bank reconciliation and checks the copies when she does the recon.
2. The treasurer is responsible for the teacher and admin contracts and computing the classified payrolls. The contracts are reviewed by the superintendent. After payroll is entered by the deputy treasurer, the treasurer does the insurance and taxes and checks any discrepancies in the payroll amounts. School Board is now getting copies of the Payroll Distribution Report.

Anticipated Completion Date: June 28, 2016

### Finding 2015-002

Contact Person Responsible for Corrective Action: Darlene Martin  
Contact Phone Number: 574-626-2525

#### Description of Corrective Action Plan:

Have made changes to SEFA per instructions by SBOA. The final report will be reviewed for accuracy by the School Lunch Director.

Anticipated Completion Date: June 28, 2016

Finding 2015-003

Contact Person Responsible for Action Plan: Darlene Martin

Contact Phone Number: 574-626-2525

Description of Corrective Action Plan:

School lunch excess funds are no longer an issue. With the new laws pertaining to the meal planning for nutrition by the federal government, better quality foods are purchased at a higher cost.

Anticipated Completion Date; June 28, 2016

Finding 2015-2004

Contact Person Responsible for Corrective Action: Darlene Martin

Contact Phone Number: 574-626-2525

Description of Corrective Action Plan:

1. Food Service Director and heads of each cafeteria will sign off on all payroll and expenses. School board members are given a copy of the Payroll Distribution report each month and the food service director is given month end expenditure reports.
2. For the 2016-2017 school year, all free and reduced forms will be completed by the parents and reviewed by the administrative assistant. The administrative assistant will also verify the required forms returned by the NSLP.

Anticipated Completion Date: June 28, 2016

Finding 2015-005

Contact Person Responsible for Corrective Action: Darlene Martin

Contact Phone Number: 574-626-2525

Description of Corrective Action Plan: Food Service Director is doing a complete inventory of the cafeteria equipment during the summer. The maintenance supervisor and respective principals from each building will review the inventories.

Anticipated Completion Date: June 28, 2016

Finding 2015-006

Contact Person Responsible for Corrective Action: Darlene Martin  
Contact Phone Number: 574-626-2525

Description of Corrective Action Plan: The annual financial report will now be approved by the food service director and treasurer before submission.

Anticipated Completion Report: June 28, 2016

Finding 2015-007

Contact Person Responsible for Corrective Action Plan: Darlene Martin  
Contact Phone Number: 574-626-2525

Description of Corrective Action Plan: Southeastern is no longer allowing bonus meals.

Anticipated Completion Date: June 28, 2016

  
\_\_\_\_\_  
Darlene Martin, Treasurer

  
\_\_\_\_\_  
Dr. Tim Garland, Superintendent

  
\_\_\_\_\_  
Ryan Zeck, School Board President



#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.