

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

AUDIT REPORT
OF

SOUTHEAST NEIGHBORHOOD
SCHOOL OF EXCELLENCE
MARION COUNTY, INDIANA

July 1, 2007 to June 30, 2009



FILED

03/29/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donna Bradshaw	07-01-07 to 06-30-10
Executive Director	J.C. Lasmanis	07-01-07 to 01-22-10
	Mike Hanna (Interim)	01-23-10 to 06-30-10
President of the School Board	Steve Hyatt	07-01-07 to 06-30-09
	Dawn Kroh	07-01-09 to 06-30-10



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Neighborhood School of Excellence (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 1, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 1, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Neighborhood School of Excellence (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated March 1, 2010.

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

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 1, 2010

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,131,909	\$ -	\$ 42,436	\$ (1,089,473)
Support services	445,567	7,973	109,353	(328,241)
Noninstructional services	129,241	-	-	(129,241)
Facilities acquisition and construction	324,135	-	-	(324,135)
Debt service	103,720	-	-	(103,720)
	<u>\$ 2,134,572</u>	<u>\$ 7,973</u>	<u>\$ 151,789</u>	<u>(1,974,810)</u>
General receipts:				
Property taxes				629,553
Other local sources				25,716
State aid				1,037,856
Bonds and loans				220,000
Grants and contributions not restricted to specific programs				247,328
Other				8,854
Total general receipts				<u>2,169,307</u>
Change in net assets				194,497
Net assets - beginning				<u>82,285</u>
Net assets - ending				<u>\$ 276,782</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 276,782</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 276,782</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 1,224,734	\$ -	\$ 53,149	\$ (1,171,585)
Support services	494,590	10,173	93,637	(390,780)
Noninstructional services	165,618	-	-	(165,618)
Facilities acquisition and construction	492,655	-	-	(492,655)
Debt service	226,371	-	-	(226,371)
Total governmental activities	<u>\$ 2,603,968</u>	<u>\$ 10,173</u>	<u>\$ 146,786</u>	<u>(2,447,009)</u>
General receipts:				
Property taxes				277,227
Other local sources				33,224
State aid				1,323,646
Bonds and loans				150,000
Grants and contributions not restricted to specific programs				<u>541,224</u>
Total general receipts				<u>2,325,321</u>
Change in net assets				(121,688)
Net assets - beginning				<u>276,782</u>
Net assets - ending				<u>\$ 155,094</u>
<u>Assets</u>				
Cash and investments				<u>\$ 155,094</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 155,094</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Title I 07/08	Title I 08/09	Title I Grants to LEAS	Other	Totals
Receipts:						
Local sources	\$ 659,266	\$ -	\$ -	\$ -	\$ 3,977	\$ 663,243
State sources	1,080,292	-	-	-	10,515	1,090,807
Federal sources	-	218,028	-	-	128,137	346,165
Temporary loans	220,000	-	-	-	-	220,000
Other	8,854	-	-	-	-	8,854
Total receipts	<u>1,968,412</u>	<u>218,028</u>	<u>-</u>	<u>-</u>	<u>142,629</u>	<u>2,329,069</u>
Disbursements:						
Current:						
Instruction	900,761	190,848	-	-	40,300	1,131,909
Support services	424,848	2,919	-	-	17,800	445,567
Noninstructional services	34,235	547	-	-	94,459	129,241
Facilities acquisition and construction	315,888	1,932	-	-	6,315	324,135
Debt services	103,720	-	-	-	-	103,720
Total disbursements	<u>1,779,452</u>	<u>196,246</u>	<u>-</u>	<u>-</u>	<u>158,874</u>	<u>2,134,572</u>
Excess (deficiency) of receipts over disbursements	<u>188,960</u>	<u>21,782</u>	<u>-</u>	<u>-</u>	<u>(16,245)</u>	<u>194,497</u>
Other financing sources (uses):						
Transfers in	-	10,031	-	-	-	10,031
Transfers out	-	-	-	-	(10,031)	(10,031)
Total other financing sources (uses)	<u>-</u>	<u>10,031</u>	<u>-</u>	<u>-</u>	<u>(10,031)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>188,960</u>	<u>31,813</u>	<u>-</u>	<u>-</u>	<u>(26,276)</u>	<u>194,497</u>
Cash and investments - beginning	<u>39,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,912</u>	<u>82,285</u>
Cash and investments - ending	<u>\$ 228,333</u>	<u>\$ 31,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,636</u>	<u>\$ 276,782</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 228,333</u>	<u>\$ 31,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,636</u>	<u>\$ 276,782</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 228,333</u>	<u>\$ 31,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,636</u>	<u>\$ 276,782</u>

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

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

	General	Title I 07/08	Title I 08/09	Title I Grants to LEAS	Other	Totals
Receipts:						
Local sources	\$ 312,091	\$ -	\$ -	\$ -	\$ 8,533	\$ 320,624
State sources	1,376,795	-	-	-	12,665	1,389,460
Federal sources	-	27,000	230,499	89,080	275,617	622,196
Temporary loans	150,000	-	-	-	-	150,000
Total receipts	1,838,886	27,000	230,499	89,080	296,815	2,482,280
Disbursements:						
Current:						
Instruction	915,568	56,789	173,949	655	77,773	1,224,734
Support services	483,147	555	2,658	1,830	6,400	494,590
Noninstructional services	62,020	330	3,638	-	99,630	165,618
Facilities acquisition and construction	367,346	916	3,208	780	120,405	492,655
Debt services	226,371	-	-	-	-	226,371
Total disbursements	2,054,452	58,590	183,453	3,265	304,208	2,603,968
Excess (deficiency) of receipts over disbursements	(215,566)	(31,590)	47,046	85,815	(7,393)	(121,688)
Other financing sources (uses):						
Transfers in	-	-	223	-	-	223
Transfers out	-	(223)	-	-	-	(223)
Total other financing sources (uses)	-	(223)	223	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(215,566)	(31,813)	47,269	85,815	(7,393)	(121,688)
Cash and investments - beginning	228,333	31,813	-	-	16,636	276,782
Cash and investments - ending	\$ 12,767	\$ -	\$ 47,269	\$ 85,815	\$ 9,243	\$ 155,094
Cash and Investment Assets - Ending						
Cash and investments	\$ 12,767	\$ -	\$ 47,269	\$ 85,815	\$ 9,243	\$ 155,094
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 12,767	\$ -	\$ 47,269	\$ 85,815	\$ 9,243	\$ 155,094

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

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

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 101,150
Deductions:	
Administrative and general	101,150
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -
Net assets:	
Cash and investments	\$ -
Total net assets - cash and investment basis held in trust	\$ -

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

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

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 13,074
Deductions:	
Administrative and general	7,162
Excess of total additions over total deductions	5,912
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 5,912
Net assets:	
Cash and investments	\$ 5,912
Total net assets - cash and investment basis held in trust	\$ 5,912

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Southeast Neighborhood School of Excellence

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The title I fund accounts for the federal grant distributions and disbursements used to improve the teaching and learning of children who are at risk of not meeting challenging academic standards.

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

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the school corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise or internal service funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the

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

Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

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

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

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

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

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2009, the School Corporation had no deposit balances exposed to custodial credit risk.

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

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

B. Interfund Transfers

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

Transfer From	Transfer To	2008	2009
Other governmental funds	Title I 07/08	\$ 10,031	\$ -
Title I 07/08	Title I 08/09	-	223
Totals		<u>\$ 10,031</u>	<u>\$ 223</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	7,256
Interest on net pension obligation		465
Adjustment to annual required contribution		(530)
Annual pension cost		7,191
Contributions made		8,195
Decrease in net pension obligation		(1,004)
Net pension obligation, beginning of year		6,420
Net pension obligation, end of year	\$	5,416

		PERF
Contribution rates:		
School Corporation		6 %
Plan members		3%
Actuarial valuation date		07-01-08
Actuarial cost method		Entry age
Amortization method		Level percentage of projected payroll, closed
Amortization period		30 years
Amortization period (from date)		07-01-97
Asset valuation method		75% of expected actuarial value plus 25% of market value

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

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 5,905	107%	\$ (423)
	06-30-07	11,780	42%	6,420
	06-30-08	7,191	114%	5,416

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$45,716, \$54,859, and \$58,475, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 9,837	\$ 24,986	\$ (15,149)	39%	\$ 164,516	(9%)
07-01-07	14,947	24,525	(9,578)	61%	116,839	(8%)
07-01-08	25,259	32,142	(6,883)	79%	114,686	(6%)

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Title I 06/07	Federal Programs	Federal Start Up Grant	Challenge Technology Grant	Totals
Receipts:								
Local sources	\$ -	\$ 3,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,977
State sources	1,375	220	8,920	-	-	-	-	10,515
Federal sources	-	100,212	-	10,000	17,925	-	-	128,137
Total receipts	1,375	104,409	8,920	10,000	17,925	-	-	142,629
Disbursements:								
Current:								
Instruction	-	-	4,770	10,237	8,963	16,330	-	40,300
Support services	-	-	-	-	6,784	11,016	-	17,800
Noninstructional services	-	94,459	-	-	-	-	-	94,459
Facilities acquisition and construction	-	-	-	-	2,178	4,137	-	6,315
Total disbursements	-	94,459	4,770	10,237	17,925	31,483	-	158,874
Excess (deficiency) of receipts over disbursements	1,375	9,950	4,150	(237)	-	(31,483)	-	(16,245)
Other financing uses:								
Transfers out	-	-	-	(10,031)	-	-	-	(10,031)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,375	9,950	4,150	(10,268)	-	(31,483)	-	(26,276)
Cash and investments - beginning	1,375	-	(1,383)	10,268	-	31,483	1,169	42,912
Cash and investments - ending	\$ 2,750	\$ 9,950	\$ 2,767	\$ -	\$ -	\$ -	\$ 1,169	\$ 16,636
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 2,750	\$ 9,950	\$ 2,767	\$ -	\$ -	\$ -	\$ 1,169	\$ 16,636
<u>Cash and Investment Fund Balance - Ending</u>								
Unrestricted	\$ 2,750	\$ 9,950	\$ 2,767	\$ -	\$ -	\$ -	\$ 1,169	\$ 16,636

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

	Special Education Preschool	School Lunch	Textbook Rental	IDEA, P.L. 101-476	Challenge Technology Grant	Fiscal Stabilization	Totals
Receipts:							
Local sources	\$ -	\$ 8,533	\$ -	\$ -	\$ -	\$ -	\$ 8,533
State sources	-	175	12,490	-	-	-	12,665
Federal sources	-	80,972	-	40,844	-	153,801	275,617
Total receipts	-	89,680	12,490	40,844	-	153,801	296,815
Disbursements:							
Current:							
Instruction	-	-	9,933	40,844	-	26,996	77,773
Support services	-	-	-	-	-	6,400	6,400
Noninstructional services	-	99,630	-	-	-	-	99,630
Facilities acquisition and construction	-	-	-	-	-	120,405	120,405
Total disbursements	-	99,630	9,933	40,844	-	153,801	304,208
Excess (deficiency) of receipts over disbursements	-	(9,950)	2,557	-	-	-	(7,393)
Cash and investments - beginning	2,750	9,950	2,767	-	1,169	-	16,636
Cash and investments - ending	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 5,324</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 9,243</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 5,324</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 9,243</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 5,324</u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 9,243</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 30,385
Machinery and equipment	<u>267,242</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 297,627</u></u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Common School Loan	\$ 747,722	\$ 71,168
Temporary Loans	<u>455,000</u>	<u>-</u>
Total governmental activities debt	<u>\$ 1,202,722</u>	<u>\$ 71,168</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS (DISBURSEMENTS)

The controls over the approval of disbursements were insufficient. School Corporation disbursements were not being approved by the School Board prior to the disbursements being paid.

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

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the Southeast Neighborhood School of Excellence (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

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

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

March 1, 2010

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 24,962	\$ 20,902
National School Lunch Program	10.555		<u>78,553</u>	<u>60,067</u>
Total for cluster			<u>103,515</u>	<u>80,969</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Cluster				
Title I Grants to Local Educational Agencies	84.010			
		FY 06/07	10,237	-
		FY 07/08	196,246	58,590
		FY 08/09	<u>-</u>	<u>183,453</u>
Total for program			<u>206,483</u>	<u>242,043</u>
ARRA Title I - Grants to Local Educational Agencies - Recovery Act	84.389		<u>-</u>	<u>3,265</u>
Total for cluster			<u>206,483</u>	<u>245,308</u>
Special Education - Grants to States	84.027			
		FY 08/09	<u>-</u>	<u>40,844</u>
Public Charter School ESEA Title X, Part C Public Charter Schools Program	84.282		<u>31,483</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367			
		F/Y 07/08	<u>17,925</u>	<u>-</u>
ARRA State Stabilization Fund - Education State Grants, Recovery Act	84.394		<u>-</u>	<u>153,802</u>
Total for federal grantor agency			<u>255,891</u>	<u>439,954</u>
Total federal awards expended			<u>\$ 359,406</u>	<u>\$ 520,923</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southeast Neighborhood School of Excellence (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.394	Title I Cluster ARRA State Stabilization Fund – Education State Grants, Recovery Act

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

Auditee qualified as low-risk auditee? no

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2009-1, SEGREGATION OF DUTIES

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the corporation to reduce risks to achievement of financial reporting objectives. The corporation has not separated incompatible activities related to disbursements. The failure to establish these controls could enable material misstatements or irregularities to occur undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, 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

No matters are reportable.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



1601 South Barth Ave. – Indianapolis, IN 46203

Voice: 317-423-0204 Fax: 317-631-4401

www.SENSEindy.org

**SENSE CORRECTIVE ACTION PLAN
MARCH 1, 2010**

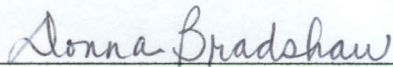
FINDING NO. 2009-1

Auditee Contact Person: Donna Bradshaw
Title of Contact Person: Treasurer
Phone Number: (317)423-0204
Expected Completion Date: March 8, 2010

Corrective Action Plan:

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

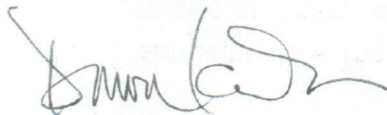
1. Disbursements – The Treasurer and CEO of the Corporation will review and approve all claims before payment is made. Presenting all claims for review and approval prior to issuance of payment will avoid errors or fraudulent vendor payment transactions and will allow any such errors or fraudulent vendor payments to be detected in the normal course of business.



Donna Bradshaw, SENSE Treasurer

March 1, 2010

Date



Dawn Kroh, SENSE Board President

March 1, 2010

Date

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2010, with Dawn Kroh, President of the School Board; Chris Bowen, Bookkeeper; Mike Hanna, Executive Director; and IveHe Stewart, Office Administrator.