

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

AUDIT REPORT
OF
NORTHEAST SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
03/04/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Evelyn M. Erdly	07-01-05 to 06-30-08
Superintendent of Schools	Richard Walters Dr. Mark A. Baker	07-01-05 to 07-31-07 08-01-07 to 07-31-10
President of the School Board	F. Dane Strahle Allen Hale	01-01-05 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE NORTHEAST SCHOOL CORPORATION, SULLIVAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 20, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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 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.

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

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.

The Supplementary Information, as listed in the Table of Contents, was presented for additional analysis and is not a required part of the basic financial information. The Supplementary Information has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Supplementary Information.

STATE BOARD OF ACCOUNTS

December 20, 2007



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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 NORTHEAST SCHOOL CORPORATION, SULLIVAN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 20, 2007. 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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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)

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.

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

STATE BOARD OF ACCOUNTS

December 20, 2007

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 4,846,508	\$ -	\$ 63,739	\$ (4,782,769)
Support services	6,923,991	343,507	351,228	(6,229,256)
Community services	217,335	-	-	(217,335)
Nonprogrammed charges	380,642	-	-	(380,642)
Debt service	2,478,458	-	-	(2,478,458)
Total governmental activities	\$ 14,846,934	\$ 343,507	\$ 414,967	(14,088,460)
General receipts:				
Property taxes				5,077,125
Other local sources				860,140
State aid				6,871,672
Bonds and loans				2,000,000
Grants and contributions not restricted to specific programs				772,184
Sale of property, adjustments, and refunds				126,026
Investment earnings				83,166
Total general receipts				15,790,313
Change in net assets				1,701,853
Net assets - beginning				2,113,089
Net assets - ending				\$ 3,814,942
<u>Assets</u>				
Cash and investments				\$ 3,534,970
Restricted assets:				
Cash and investments				279,972
Total assets				\$ 3,814,942
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 279,972
Unrestricted				3,534,970
Total net assets				\$ 3,814,942

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

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts		Totals
		Charges for Services	Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets
Governmental activities:				
Instruction	\$ 4,741,575	\$ -	\$ 63,886	\$ (4,677,689)
Support services	6,965,301	368,801	362,964	(6,233,536)
Community services	206,671	-	-	(206,671)
Nonprogrammed charges	356,515	-	-	(356,515)
Debt service	<u>2,508,775</u>	-	-	<u>(2,508,775)</u>
Total governmental activities	<u>\$ 14,778,837</u>	<u>\$ 368,801</u>	<u>\$ 426,850</u>	<u>(13,983,186)</u>
General receipts:				
Property taxes				2,741,239
Other local sources				220,812
State aid				6,792,320
Bonds and loans				2,000,000
Grants and contributions not restricted to specific programs				821,395
Sale of property, adjustments, and refunds				161,778
Investment earnings				<u>95,066</u>
Total general receipts				<u>12,832,610</u>
Change in net assets				(1,150,576)
Net assets - beginning				<u>3,814,942</u>
Net assets - ending				<u>\$ 2,664,366</u>
<u>Assets</u>				
Cash and investments				<u>\$ 2,664,366</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 2,664,366</u>

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

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,572,997	\$ 941,488	\$ -	\$ 1,088,072	\$ 965,393	\$ 163,901	\$ 631,594	\$ 6,363,445
State sources	6,922,969	-	-	-	-	-	231,690	7,154,659
Federal sources	191,794	-	-	-	-	-	712,863	904,657
Bonds and loans	1,500,000	500,000	-	-	-	-	-	2,000,000
Sale of property, adjustments and refunds	72,819	1,211	-	57	7,629	-	44,310	126,026
Total receipts	11,260,579	1,442,699	-	1,088,129	973,022	163,901	1,620,457	16,548,787
Disbursements:								
Current:								
Instruction	4,613,477	-	-	-	-	-	233,031	4,846,508
Support services	4,012,523	836,979	100,000	17,000	773,994	66,533	1,116,962	6,923,991
Community services	169,833	-	-	-	-	-	47,502	217,335
Nonprogrammed charges	251,392	-	-	-	-	-	129,250	380,642
Debt services	1,500,000	500,000	-	478,458	-	-	-	2,478,458
Total disbursements	10,547,225	1,336,979	100,000	495,458	773,994	66,533	1,526,745	14,846,934
Excess (deficiency) of receipts over disbursements	713,354	105,720	(100,000)	592,671	199,028	97,368	93,712	1,701,853
Other financing sources (uses):								
Transfers in	238,130	44,419	120,000	-	-	-	211,157	613,706
Transfers out	(69,117)	(24,152)	-	(116,844)	(115,098)	(10,208)	(278,287)	(613,706)
Total other financing sources (uses)	169,013	20,267	120,000	(116,844)	(115,098)	(10,208)	(67,130)	-
Excess of receipts and other financing sources over disbursements and other financing uses	882,367	125,987	20,000	475,827	83,930	87,160	26,582	1,701,853
Cash and investments - beginning	996,036	352,308	290,000	(308,311)	165,179	(70,305)	688,182	2,113,089
Cash and investments - ending	\$ 1,878,403	\$ 478,295	\$ 310,000	\$ 167,516	\$ 249,109	\$ 16,855	\$ 714,764	\$ 3,814,942
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,878,403	\$ 478,295	\$ 310,000	\$ -	\$ 249,109	\$ 16,855	\$ 602,308	\$ 3,534,970
Restricted assets:								
Cash and investments	-	-	-	167,516	-	-	112,456	279,972
Total cash and investment assets - ending	\$ 1,878,403	\$ 478,295	\$ 310,000	\$ 167,516	\$ 249,109	\$ 16,855	\$ 714,764	\$ 3,814,942
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 167,516	\$ -	\$ -	\$ 112,456	\$ 279,972
Unrestricted	1,878,403	478,295	310,000	-	249,109	16,855	602,308	3,534,970
Total cash and investment fund balance - ending	\$ 1,878,403	\$ 478,295	\$ 310,000	\$ 167,516	\$ 249,109	\$ 16,855	\$ 714,764	\$ 3,814,942

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

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day Fund	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,498,520	\$ 586,021	\$ -	\$ 387,865	\$ 549,160	\$ 93,904	\$ 374,679	\$ 3,490,149
Intermediate sources	212	-	-	-	-	-	-	212
State sources	6,843,270	-	-	-	-	-	299,164	7,142,434
Federal sources	194,018	-	-	-	-	-	639,670	833,688
Bonds and loans	1,500,000	500,000	-	-	-	-	-	2,000,000
Sale of property, adjustments and refunds	100,578	-	-	-	34,664	-	26,536	161,778
Total receipts	10,136,598	1,086,021	-	387,865	583,824	93,904	1,340,049	13,628,261
Disbursements:								
Current:								
Instruction	4,421,006	-	-	-	-	-	320,569	4,741,575
Support services	4,126,903	901,803	35,861	3,105	776,981	165,272	955,376	6,965,301
Community services	178,369	-	-	-	-	-	28,302	206,671
Nonprogrammed charges	227,265	-	-	-	-	-	129,250	356,515
Debt services	1,500,000	500,000	-	508,775	-	-	-	2,508,775
Total disbursements	10,453,543	1,401,803	35,861	511,880	776,981	165,272	1,433,497	14,778,837
Excess (deficiency) of receipts over disbursements	(316,945)	(315,782)	(35,861)	(124,015)	(193,157)	(71,368)	(93,448)	(1,150,576)
Other financing sources (uses):								
Transfers in	365,389	-	95,000	-	-	-	159,783	620,172
Transfers out	(39,796)	(22,509)	-	(67,174)	(47,113)	(8,776)	(434,804)	(620,172)
Total other financing sources (uses)	325,593	(22,509)	95,000	(67,174)	(47,113)	(8,776)	(275,021)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,648	(338,291)	59,139	(191,189)	(240,270)	(80,144)	(368,469)	(1,150,576)
Cash and investments - beginning	1,878,403	478,295	310,000	167,516	249,109	16,855	714,764	3,814,942
Cash and investments - ending	\$ 1,887,051	\$ 140,004	\$ 369,139	\$ (23,673)	\$ 8,839	\$ (63,289)	\$ 346,295	\$ 2,664,366
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,887,051	\$ 140,004	\$ 369,139	\$ -	\$ 8,839	\$ (63,289)	\$ 502,899	\$ 2,844,643
Restricted assets:								
Cash and investments	-	-	-	(23,673)	-	-	(156,604)	(180,277)
Total cash and investment assets - ending	\$ 1,887,051	\$ 140,004	\$ 369,139	\$ (23,673)	\$ 8,839	\$ (63,289)	\$ 346,295	\$ 2,664,366
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ (23,673)	\$ -	\$ -	\$ (156,604)	\$ (180,277)
Unrestricted	1,887,051	140,004	369,139	-	8,839	(63,289)	502,899	2,844,643
Total cash and investment fund balance - ending	\$ 1,887,051	\$ 140,004	\$ 369,139	\$ (23,673)	\$ 8,839	\$ (63,289)	\$ 346,295	\$ 2,664,366

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

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 3,823,286	
Deductions:		
Other	53,367	
Excess of total additions over total deductions	3,769,919	
Cash and investment fund balance - beginning	53,367	
Cash and investment fund balance - ending	\$ 3,823,286	
Net assets:		
Cash and investments	\$ 3,823,286	\$ (347)
Total net assets - cash and investment basis held in trust	\$ 3,823,286	\$ (347)

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

NORTHEAST SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 2,291	
Deductions:		
Benefits	<u>2,760,468</u>	
Deficiency of total additions over total deductions	(2,758,177)	
Cash and investment fund balance - beginning	<u>3,823,286</u>	
Cash and investment fund balance - ending	<u>\$ 1,065,109</u>	
Net assets:		
Cash and investments	<u>\$ 1,065,109</u>	<u>\$ 1,435</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,065,109</u>	<u>\$ 1,435</u>

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

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Northeast School Corporation

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

Joint Venture

The School Corporation is a participant with Bloomfield, Linton, Shakamak, White River Valley, and Southwest Sullivan School Corporations in a joint venture to operate the Greene-Sullivan Special Education Cooperative which was created to provide instruction for students with special needs. The School Corporation was obligated by contract to remit \$413,119 and \$390,888 for the fiscal years 2006 and 2007, respectively. The Cooperative's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Greene-Sullivan Special Education Cooperative can be obtained from the administrative offices at 77 NE A Street, Linton, Indiana.

The School Corporation is a participant with Southwest, Linton-Stockton, Shakamak, White River Valley, North Knox, South Knox, Vincennes, Barr-Reeve, North Daviess, Washington, Loogootee, and Bloomfield School Corporations in a joint venture to operate the Twin Rivers Area Vocational District which was created to provide vocational and technical education to high school students and others. The School Corporation was obligated by contract to remit \$56,005 and \$37,157 for the fiscal years 2006 and 2007, respectively. The District's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Twin Rivers Area Vocational District can be obtained from the administrative offices at 301 E. South Street, Washington, Indiana.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental 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 debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

Additionally, the School Corporation reports the following fund types:

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity. The retirement/severance bond fund is the only pension trust fund for year ending June 30, 2007.

Agency funds account for various payroll withholdings for which the School Corporation is the fiscal agent.

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.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

a. Sick Leave

Employees earn sick leave at the rate of 14 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 220 days. Accumulated sick leave is paid to employees through cash payments upon retirement or termination.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated as sick leave.

4. 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.

5. 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.

6. 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.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

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

NORTHEAST SCHOOL CORPORATION
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 reported as reimbursements.
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. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007 the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2006	2007
Debt Service	\$ -	\$ 23,673
School Bus Replacement	-	63,289
Retirement Debt Service	-	156,604
Payroll Clearing	103	31
Payroll Clearing Section 125	244	50

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits were repaid from future receipts.

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

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 unit 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

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

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

Transfer From	Transfer To	2005-2006	2006-2007
General Fund	Other governmental	\$ 69,117	\$ 39,796
Debt Service Fund	General Fund	15,906	-
	Rainy Day Fund	20,000	55,000
	Transportation Operating Fund	44,419	-
	Other governmental	36,519	12,174
Capital Projects Fund	Rainy Day Fund	90,000	29,252
	Other governmental	25,098	17,861
Transportation Operating Fund	Rainy Day Fund	-	5,000
	Other governmental	24,152	17,509
School Bus Replacement Fund	Rainy Day Fund	10,000	5,748
	Other governmental	208	3,028
Other governmental	General Fund	222,224	365,389
	Other governmental	56,063	69,415
Totals		\$ 613,706	\$ 620,172

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

C. Restatements and Reclassifications

For the year ended June 30, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated and reclassified beginning balances by fund.

Opinion Unit	Balance as Reported June 30 2005	Fund Restatement	Fund Reclassification	Balance as Restated July 1 2005
General Fund	\$ 786,278	\$ 209,758	\$ -	\$ 996,036
Other	809,324	168,858	-	978,182
Debt Service Fund	-	(308,311)	-	(308,311)
School Bus Replacement Fund	-	(70,305)	-	(70,305)

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.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1995, the School Corporation joined with other governmental entities to form the Indiana State Teacher's Association Trust, a public entity risk pool currently operating as a common risk management and insurance program for 165 member governmental entities. This risk pool was formed in 1986. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$70,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$70,000 limit.

B. Holding Corporation

The School Corporation has entered into capital leases with Northeast Sullivan 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.

The building facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments totaled \$405,500 and \$406,000 for the fiscal years ended June 30, 2006 and 2007, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 20 years of service. Currently, a total of 22 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits for 18 of the 22 retirees who retired before February 1, 2005. The remaining 4 of the 22 retirees who retired on or after February 1, 2005, pay 100% of these postemployment benefits from the Voluntary Employees' Beneficiary Association (VEBA). VEBA is a 501(c)(9) tax-exempt trust that is funded with fringe benefit dollars provided exclusively by the School Corporation. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

D. Pension Plans

1. 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.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statutes (Indiana Code 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 53,873
Interest on net pension obligation	(9,923)
Adjustment to annual required contribution	11,308
Annual pension cost	55,258
Contributions made	63,451
Decrease in net pension obligation	(8,193)
Net pension obligation, beginning of year	(136,874)
Net pension obligation, end of year	\$ (145,067)

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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%*

* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 55,469	131%	\$ (117,705)
	06-30-05	47,278	141%	(136,874)
	06-30-06	55,258	115%	(145,067)

2. 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.

NORTHEAST SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Funding Policy and Annual Pension Costs

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

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 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006 and 2007, were \$169,744 and \$165,602, respectively.

NORTHEAST SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,499,982	\$ 1,571,423	\$ (71,441)	95%	\$ 1,170,164	(6%)
07-01-05	1,520,926	1,494,502	26,424	102%	1,224,131	2%
07-01-06	1,539,667	1,431,602	108,065	108%	1,108,923	10%

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Preschool	School Lunch	Textbook Reimbursement	Levy Excess	Education License Plates	School Safe Haven	Early Intervention I
Receipts:							
Local sources	\$ 7,577	\$ 272,656	\$ 70,934	\$ -	\$ -	\$ -	\$ -
State sources	123,672	5,730	31,948	-	-	804	1,000
Federal sources	-	313,549	-	-	-	-	-
Sale of property, adjustments and refunds	-	140	550	-	488	-	-
Total receipts	131,249	592,075	103,432	-	488	804	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	500	-	500
Support services	-	547,610	111,488	-	-	804	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	129,250	-	-	-	-	-	-
Total disbursements	129,250	547,610	111,488	-	500	804	500
Excess (deficiency) of receipts over disbursements	1,999	44,465	(8,056)	-	(12)	-	500
Other financing sources (uses):							
Transfers in	-	-	-	167,086	-	-	-
Transfers out	(208)	-	-	(222,224)	-	-	-
Total other financing sources (uses)	(208)	-	-	(55,138)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,791	44,465	(8,056)	(55,138)	(12)	-	500
Cash and investments - beginning	35,089	44,051	21,986	222,224	56	-	500
Cash and investments - ending	<u>\$ 36,880</u>	<u>\$ 88,516</u>	<u>\$ 13,930</u>	<u>\$ 167,086</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 36,880	\$ 88,516	\$ 13,930	\$ 167,086	\$ 44	\$ -	\$ 1,000
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 36,880</u>	<u>\$ 88,516</u>	<u>\$ 13,930</u>	<u>\$ 167,086</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 1,000</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	36,880	88,516	13,930	167,086	44	-	1,000
Total cash and investment fund balance - ending	<u>\$ 36,880</u>	<u>\$ 88,516</u>	<u>\$ 13,930</u>	<u>\$ 167,086</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 1,000</u>

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Early Intervention II	Pupil Medical Services	Project Aspire	Gifted and Talented	Education Technology Loan	Medicaid Reimbursement	Language Assistance Program Grant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	12,936	49,800	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,936</u>	<u>49,800</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	300	-	1,000	9,710	-	-	-
Support services	-	441	-	-	49,800	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>300</u>	<u>441</u>	<u>1,000</u>	<u>9,710</u>	<u>49,800</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(300)</u>	<u>(441)</u>	<u>(1,000)</u>	<u>3,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(300)</u>	<u>(441)</u>	<u>(1,000)</u>	<u>3,226</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - beginning	<u>300</u>	<u>1,608</u>	<u>2,116</u>	<u>12,936</u>	<u>-</u>	<u>5,407</u>	<u>78</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 1,116</u>	<u>\$ 16,162</u>	<u>\$ -</u>	<u>\$ 5,407</u>	<u>\$ 78</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 1,167	\$ 1,116	\$ 16,162	\$ -	\$ 5,407	\$ 78
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 1,116</u>	<u>\$ 16,162</u>	<u>\$ -</u>	<u>\$ 5,407</u>	<u>\$ 78</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,167	1,116	16,162	-	5,407	78
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 1,116</u>	<u>\$ 16,162</u>	<u>\$ -</u>	<u>\$ 5,407</u>	<u>\$ 78</u>

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	School Technology	Indiana Scholar Academic Improvement	C.L.A.S.S. Training Program	C.L.A.S.S. Grant I	C.L.A.S.S. Grant II	Title I FY 04/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	5,800	-	-	-	-	-
Federal sources	-	-	-	-	-	274,621
Sale of property, adjustments and refunds	34,663	-	-	-	-	-
Total receipts	40,463	-	-	-	-	274,621
Disbursements:						
Current:						
Instruction	-	-	-	-	52,925	116,334
Support services	42,416	4,317	-	-	7,583	113,342
Community services	-	-	-	-	-	38,924
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	42,416	4,317	-	-	60,508	268,600
Excess (deficiency) of receipts over disbursements	(1,953)	(4,317)	-	-	(60,508)	6,021
Other financing sources (uses):						
Transfers in	-	-	-	-	-	44,071
Transfers out	-	-	-	-	-	(27,360)
Total other financing sources (uses)	-	-	-	-	-	16,711
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,953)	(4,317)	-	-	(60,508)	22,732
Cash and investments - beginning	24,941	5,952	21,033	11,868	69,322	-
Cash and investments - ending	\$ 22,988	\$ 1,635	\$ 21,033	\$ 11,868	\$ 8,814	\$ 22,732
Cash and Investment Assets - Ending						
Cash and investments	\$ 22,988	\$ 1,635	\$ 21,033	\$ 11,868	\$ 8,814	\$ 22,732
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 22,988	\$ 1,635	\$ 21,033	\$ 11,868	\$ 8,814	\$ 22,732
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	22,988	1,635	21,033	11,868	8,814	22,732
Total cash and investment fund balance - ending	\$ 22,988	\$ 1,635	\$ 21,033	\$ 11,868	\$ 8,814	\$ 22,732

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I FY 05/06	Title V Part A	Title V Part A	Safe and Drug Free Schools	A.A.E. Grant	March of Dimes Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	5,469	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	8,469	-
Total receipts	-	5,469	-	-	8,469	-
Disbursements:						
Current:						
Instruction	5,015	-	1,482	5,909	1,500	-
Support services	434	308	-	-	5,069	-
Community services	8,578	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	14,027	308	1,482	5,909	6,569	-
Excess (deficiency) of receipts over disbursements	(14,027)	5,161	(1,482)	(5,909)	1,900	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(20,770)	-	-	-	-	-
Total other financing sources (uses)	(20,770)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,797)	5,161	(1,482)	(5,909)	1,900	-
Cash and investments - beginning	34,797	308	7,023	8,639	-	143
Cash and investments - ending	\$ -	\$ 5,469	\$ 5,541	\$ 2,730	\$ 1,900	\$ 143
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 5,469	\$ 5,541	\$ 2,730	\$ 1,900	\$ 143
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 5,469	\$ 5,541	\$ 2,730	\$ 1,900	\$ 143
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	5,469	5,541	2,730	1,900	143
Total cash and investment fund balance - ending	\$ -	\$ 5,469	\$ 5,541	\$ 2,730	\$ 1,900	\$ 143

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title II Part A	Title II Part D Technology	Tobacco Grant	Retirement Debt Service	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 280,427	\$ -	\$ 631,594
State sources	-	-	-	-	-	231,690
Federal sources	113,773	5,451	-	-	-	712,863
Sale of property, adjustments and refunds	-	-	-	-	-	44,310
Total receipts	<u>113,773</u>	<u>5,451</u>	<u>-</u>	<u>280,427</u>	<u>-</u>	<u>1,620,457</u>
Disbursements:						
Current:						
Instruction	37,856	-	-	-	-	233,031
Support services	4,000	-	-	229,350	-	1,116,962
Community services	-	-	-	-	-	47,502
Nonprogrammed charges	-	-	-	-	-	129,250
Total disbursements	<u>41,856</u>	<u>-</u>	<u>-</u>	<u>229,350</u>	<u>-</u>	<u>1,526,745</u>
Excess (deficiency) of receipts over disbursements	<u>71,917</u>	<u>5,451</u>	<u>-</u>	<u>51,077</u>	<u>-</u>	<u>93,712</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	211,157
Transfers out	-	-	-	(7,725)	-	(278,287)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,725)</u>	<u>-</u>	<u>(67,130)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>71,917</u>	<u>5,451</u>	<u>-</u>	<u>43,352</u>	<u>-</u>	<u>26,582</u>
Cash and investments - beginning	<u>60,311</u>	<u>14,637</u>	<u>547</u>	<u>69,104</u>	<u>13,206</u>	<u>688,182</u>
Cash and investments - ending	<u>\$ 132,228</u>	<u>\$ 20,088</u>	<u>\$ 547</u>	<u>\$ 112,456</u>	<u>\$ 13,206</u>	<u>\$ 714,764</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 132,228	\$ 20,088	\$ 547	\$ -	\$ 13,206	\$ 602,308
Restricted assets:						
Cash and investments	-	-	-	112,456	-	112,456
Total cash and investment assets - ending	<u>\$ 132,228</u>	<u>\$ 20,088</u>	<u>\$ 547</u>	<u>\$ 112,456</u>	<u>\$ 13,206</u>	<u>\$ 714,764</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 112,456	\$ -	\$ 112,456
Unrestricted	132,228	20,088	547	-	13,206	602,308
Total cash and investment fund balance - ending	<u>\$ 132,228</u>	<u>\$ 20,088</u>	<u>\$ 547</u>	<u>\$ 112,456</u>	<u>\$ 13,206</u>	<u>\$ 714,764</u>

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Preschool	School Lunch	Textbook Reimbursement	Levy Excess	Education License Plates	Early Intervention I	Pupil Medical Services
Receipts:							
Local sources	\$ 4,130	\$ 290,592	\$ 79,957	\$ -	\$ -	\$ -	\$ -
State sources	145,913	5,627	36,746	-	-	500	-
Federal sources	-	319,816	-	-	-	-	-
Sale of property, adjustments and refunds	-	671	550	-	-	-	-
Total receipts	150,043	616,706	117,253	-	-	500	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	1,000	-
Support services	-	583,878	78,149	-	-	-	105
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	129,250	-	-	-	-	-	-
Total disbursements	129,250	583,878	78,149	-	-	1,000	105
Excess (deficiency) of receipts over disbursements	20,793	32,828	39,104	-	-	(500)	(105)
Other financing sources (uses):							
Transfers in	-	-	-	95,339	-	-	-
Transfers out	(15,435)	-	(5,363)	(167,086)	-	-	-
Total other financing sources (uses)	(15,435)	-	(5,363)	(71,747)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,358	32,828	33,741	(71,747)	-	(500)	(105)
Cash and investments - beginning	36,880	88,516	13,930	167,086	44	1,000	1,167
Cash and investments - ending	\$ 42,238	\$ 121,344	\$ 47,671	\$ 95,339	\$ 44	\$ 500	\$ 1,062
Cash and Investment Assets - Ending							
Cash and investments	\$ 42,238	\$ 121,344	\$ 47,671	\$ 95,339	\$ 44	\$ 500	\$ 1,062
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 42,238	\$ 121,344	\$ 47,671	\$ 95,339	\$ 44	\$ 500	\$ 1,062
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	42,238	121,344	47,671	95,339	44	500	1,062
Total cash and investment fund balance - ending	\$ 42,238	\$ 121,344	\$ 47,671	\$ 95,339	\$ 44	\$ 500	\$ 1,062

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Project Aspire	Gifted and Talented	Economic Education Grant	Education Technology Loan	Medicaid Reimbursement	Language Assistance Program Grant	School Technology
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	12,936	1,000	200	-	-	23,004
Federal sources	-	-	-	-	775	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	12,936	1,000	200	775	-	23,004
Disbursements:							
Current:							
Instruction	-	15,665	514	-	-	-	-
Support services	-	-	-	-	-	-	24,986
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	15,665	514	-	-	-	24,986
Excess (deficiency) of receipts over disbursements	-	(2,729)	486	200	775	-	(1,982)
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	-	(2,729)	486	200	775	-	(1,982)
Cash and investments - beginning	1,116	16,162	-	-	5,407	78	22,988
Cash and investments - ending	<u>\$ 1,116</u>	<u>\$ 13,433</u>	<u>\$ 486</u>	<u>\$ 200</u>	<u>\$ 6,182</u>	<u>\$ 78</u>	<u>\$ 21,006</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 1,116	\$ 13,433	\$ 486	\$ 200	\$ 6,182	\$ 78	\$ 21,006
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,116	\$ 13,433	\$ 486	\$ 200	\$ 6,182	\$ 78	\$ 21,006
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,116	13,433	486	200	6,182	78	21,006
Total cash and investment fund balance - ending	\$ 1,116	\$ 13,433	\$ 486	\$ 200	\$ 6,182	\$ 78	\$ 21,006

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Technology Plan Grant	Indiana Scholar Academic Improvement	C.L.A.S.S. Training Program	C.L.A.S.S. Grant I	C.L.A.S.S. Grant II	Title I FY 05/06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	73,238	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	73,238	-	-	-	-	-
Disbursements:						
Current:						
Instruction	58,072	-	-	-	-	22,732
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	58,072	-	-	-	-	22,732
Excess (deficiency) of receipts over disbursements	15,166	-	-	-	-	(22,732)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(21,033)	(11,868)	(8,814)	-
Total other financing sources (uses)	-	-	(21,033)	(11,868)	(8,814)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,166	-	(21,033)	(11,868)	(8,814)	(22,732)
Cash and investments - beginning	-	1,635	21,033	11,868	8,814	22,732
Cash and investments - ending	<u>\$ 15,166</u>	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 15,166	\$ 1,635	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 15,166</u>	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	15,166	1,635	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 15,166</u>	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I FY 06/07	Title V Part A	Title V Part A	Safe and Drug Free Schools	A.A.E. Grant	March of Dimes Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	257,962	2,635	-	15,802	-	-
Sale of property, adjustments and refunds	51	-	-	-	25,264	-
Total receipts	258,013	2,635	-	15,802	25,264	-
Disbursements:						
Current:						
Instruction	157,162	-	2,881	10,527	241	-
Support services	112,242	5,000	-	-	20,769	-
Community services	28,302	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	297,706	5,000	2,881	10,527	21,010	-
Excess (deficiency) of receipts over disbursements	(39,693)	(2,365)	(2,881)	5,275	4,254	-
Other financing sources (uses):						
Transfers in	64,444	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	64,444	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,751	(2,365)	(2,881)	5,275	4,254	-
Cash and investments - beginning	-	5,469	5,541	2,730	1,900	143
Cash and investments - ending	\$ 24,751	\$ 3,104	\$ 2,660	\$ 8,005	\$ 6,154	\$ 143
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 24,751	\$ 3,104	\$ 2,660	\$ 8,005	\$ 6,154	\$ 143
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 24,751	\$ 3,104	\$ 2,660	\$ 8,005	\$ 6,154	\$ 143
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	24,751	3,104	2,660	8,005	6,154	143
Total cash and investment fund balance - ending	\$ 24,751	\$ 3,104	\$ 2,660	\$ 8,005	\$ 6,154	\$ 143

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Part A	Title II Part D Technology	Tobacco Grant	Retirement Debt Service	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,679
State sources	-	-	-	-	-	299,164
Federal sources	42,680	-	-	-	-	639,670
Sale of property, adjustments and refunds	-	-	-	-	-	26,536
Total receipts	42,680	-	-	-	-	1,340,049
Disbursements:						
Current:						
Instruction	51,775	-	-	-	-	320,569
Support services	43,434	14,637	-	63,855	8,321	955,376
Community services	-	-	-	-	-	28,302
Nonprogrammed charges	-	-	-	-	-	129,250
Total disbursements	95,209	14,637	-	63,855	8,321	1,433,497
Excess (deficiency) of receipts over disbursements	(52,529)	(14,637)	-	(63,855)	(8,321)	(93,448)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	159,783
Transfers out	-	-	-	(205,205)	-	(434,804)
Total other financing sources (uses)	-	-	-	(205,205)	-	(275,021)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(52,529)	(14,637)	-	(269,060)	(8,321)	(368,469)
Cash and investments - beginning	132,228	20,088	547	112,456	13,206	714,764
Cash and investments - ending	\$ 79,699	\$ 5,451	\$ 547	\$ (156,604)	\$ 4,885	\$ 346,295
Cash and Investment Assets - Ending						
Cash and investments	\$ 79,699	\$ 5,451	\$ 547	\$ -	\$ 4,885	\$ 502,899
Restricted assets:						
Cash and investments	-	-	-	(156,604)	-	(156,604)
Total cash and investment assets - ending	\$ 79,699	\$ 5,451	\$ 547	\$ (156,604)	\$ 4,885	\$ 346,295
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ (156,604)	\$ -	\$ (156,604)
Unrestricted	79,699	5,451	547	-	4,885	502,899
Total cash and investment fund balance - ending	\$ 79,699	\$ 5,451	\$ 547	\$ (156,604)	\$ 4,885	\$ 346,295

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2006

	<u>Retirement/ Severance Bond</u>	<u>Postretirement/ Severance Future Benefit</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 3,823,286	\$ -	\$ 3,823,286
Deductions:			
Other	-	53,367	53,367
Excess (deficiency) of total additions over total deductions	3,823,286	(53,367)	3,769,919
Cash and investment fund balance - beginning	-	53,367	53,367
Cash and investment fund balance - ending	<u>\$ 3,823,286</u>	<u>\$ -</u>	<u>\$ 3,823,286</u>
Net assets:			
Cash and investments	<u>\$ 3,823,286</u>	<u>\$ -</u>	<u>\$ 3,823,286</u>
Total net assets - cash and investment basis held in trust	<u>\$ 3,823,286</u>	<u>\$ -</u>	<u>\$ 3,823,286</u>

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2006

	Payroll Clearing	Payroll Clearing Section 125	Totals
Net assets:			
Cash and investments	\$ (103)	\$ (244)	\$ (347)
Total net assets - cash and investment basis held in trust	\$ (103)	\$ (244)	\$ (347)

NORTHEAST SCHOOL CORPORATION
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2007

	Payroll Clearing	Payroll Clearing Section 125	Payroll Clearing Miscellaneous	Totals
Net assets:				
Cash and investments	\$ (31)	\$ (50)	\$ 1,516	\$ 1,435
Total net assets - cash and investment basis held in trust	\$ (31)	\$ (50)	\$ 1,516	\$ 1,435

NORTHEAST SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 25,180
Land improvements	733,130
Buildings	13,642,700
Machinery and equipment	1,206,166
Transportation equipment	<u>856,576</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 16,463,752</u></u>

NORTHEAST SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
2001 Improvements to North Central H.S.	\$ 3,440,000	\$ 400,573
Common school fund loans payable	111,651	49,984
Bonds payable:		
General obligation bonds:		
2002 Pension Bonds	455,000	238,450
2006 Pension Bonds	<u>3,800,000</u>	<u>364,185</u>
Total governmental activities debt	<u>\$ 7,806,651</u>	<u>\$ 1,053,192</u>

NORTHEAST SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The Payroll Clearing Fund and Payroll Clearing Section 125 Fund were overdrawn at June 30, 2006. The Debt Service Fund, School Bus Replacement Fund, Retirement Debt Service Fund, Payroll Clearing Fund, and Payroll Clearing Section 125 Fund were overdrawn at June 30, 2007.

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

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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

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

TO: THE OFFICIALS OF THE NORTHEAST SCHOOL CORPORATION, SULLIVAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Northeast School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. 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, 2006 and 2007.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

December 20, 2007

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 36,668	\$ 24,863
National School Lunch Program	10.555		<u>191,652</u>	<u>221,013</u>
Total for federal grantor agency			<u>228,320</u>	<u>245,876</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		05-7645	34,797	-
		06-7645	272,660	22,730
		07-7645	<u>-</u>	<u>297,706</u>
Total for program			<u>307,457</u>	<u>320,436</u>
Vocational Education - Basic Grants to States	84.048			
		06-7645	7,274	-
		07-7645	<u>-</u>	<u>7,274</u>
Total for program			<u>7,274</u>	<u>7,274</u>
Safe and Drug Free Schools and Communities-State Grants	84.186			
		04-169	3,409	-
		05-212	2,500	4,890
		06-7645	<u>-</u>	<u>5,637</u>
Total for program			<u>5,909</u>	<u>10,527</u>
State Grants for Innovative Programs	84.298			
		04-168	308	-
		05-077	1,482	5,530
		06-7645	<u>-</u>	<u>2,351</u>
Total for program			<u>1,790</u>	<u>7,881</u>
Improving Teacher Quality State Grants (A)	84.367			
		04-178	25,474	-
		05-058	16,382	67,167
		06-7645	<u>-</u>	<u>42,680</u>
Total for program			<u>41,856</u>	<u>109,847</u>
Total for federal grantor agency			<u>364,286</u>	<u>455,965</u>
Total Federal Awards Expended			<u>\$ 592,606</u>	<u>\$ 701,841</u>

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

NORTHEAST SCHOOL CORPORATION
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
Child Nutrition Cluster	10.553	\$ 6,196	\$ 12,522
Child Nutrition Cluster	10.555	22,674	49,838

NORTHEAST SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

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

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

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHEAST SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTHEAST SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2007, with Dr. Mark A. Baker, Superintendent of Schools; Richard Walters, prior Superintendent of Schools; Evelyn M. Erdly, Treasurer; and Sheila Woodard, Payroll Clerk. The officials concurred with our audit finding.