

**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, 2007 to June 30, 2009



**FILED**  
03/11/2010



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Evelyn M. Erdly Vikki Huntworth	07-01-07 to 01-04-09 01-05-09 to 06-30-10
Superintendent of Schools	Richard Walters Dr. Mark A. Baker	07-01-07 to 07-31-07 08-01-07 to 07-31-15
President of the School Board	Allen Hale W.E. Keith Drake	01-01-07 to 12-31-08 01-01-09 to 12-31-10



**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 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, 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 February 17, 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.

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

February 17, 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 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, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 17, 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.

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

February 17, 2010

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 7,748,277	\$ -	\$ 194,299	\$ (7,553,978)
Support services	3,702,918	301,309	412,768	(2,988,841)
Noninstructional services	810,331	-	-	(810,331)
Facilities acquisition and construction	323,715	-	-	(323,715)
Debt service	2,532,856	-	-	(2,532,856)
Nonprogrammed charges	418,381	-	-	(418,381)
<b>Total governmental activities</b>	<b><u>\$ 15,536,478</u></b>	<b><u>\$ 301,309</u></b>	<b><u>\$ 607,067</u></b>	<b><u>(14,628,102)</u></b>
General receipts:				
Property taxes				4,185,945
Other local sources				617,714
State aid				6,798,966
Bonds and loans				2,000,000
Grants and contributions not restricted to specific programs				801,820
Sale of property				73,774
Investment earnings				136,645
Other				108,187
<b>Total general receipts</b>				<b><u>14,723,051</u></b>
Change in net assets				94,949
Net assets - beginning				<u>2,664,367</u>
Net assets - ending				<b><u>\$ 2,759,316</u></b>
<u>Assets</u>				
Cash and investments				<u>\$ 2,759,316</u>
<u>Net Assets</u>				
Unrestricted				<b><u>\$ 2,759,316</u></b>

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, 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	\$ 7,262,040	\$ -	\$ 229,060	\$ (7,032,980)
Support services	5,177,011	272,631	452,172	(4,452,208)
Noninstructional services	860,347	-	-	(860,347)
Facilities acquisition and construction	335,653	-	-	(335,653)
Debt service	2,694,359	-	-	(2,694,359)
Nonprogrammed charges	440,546	-	-	(440,546)
<b>Total governmental activities</b>	<b><u>\$ 16,769,956</u></b>	<b><u>\$ 272,631</u></b>	<b><u>\$ 681,232</u></b>	<b><u>(15,816,093)</u></b>
General receipts:				
Property taxes				4,479,412
Other local sources				680,613
State aid				7,603,725
Bonds and loans				2,000,000
Grants and contributions not restricted to specific programs				1,422,664
Investment earnings				36,159
Other				83,004
<b>Total general receipts</b>				<b><u>16,305,577</u></b>
Change in net assets				489,484
Net assets - beginning				<u>2,759,316</u>
Net assets - ending				<b><u>\$ 3,248,800</u></b>
<u>Assets</u>				
Cash and investments				\$ 3,362,084
Restricted assets:				
Cash and investments				<u>(113,284)</u>
<b>Total assets</b>				<b><u>\$ 3,248,800</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ (113,284)
Unrestricted				<u>3,362,084</u>
<b>Total net assets</b>				<b><u>\$ 3,248,800</u></b>

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, 2008

	General	Rainy Day Fund	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 2,091,223	\$ -	\$ 3,150,177	\$ 5,241,400
Intermediate sources	212	-	-	212
State sources	6,961,416	-	251,512	7,212,928
Federal sources	202,635	-	792,289	994,924
Temporary loans	1,500,000	-	500,000	2,000,000
Other	97,114	-	11,073	108,187
	<u>10,852,600</u>	<u>-</u>	<u>4,705,051</u>	<u>15,557,651</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction	6,955,010	22,284	770,981	7,748,275
Support services	1,562,050	108,042	2,032,826	3,702,918
Noninstructional services	173,324	-	637,007	810,331
Facilities acquisition and construction	-	-	323,715	323,715
Debt services	1,500,000	-	1,032,856	2,532,856
Nonprogrammed charges	275,381	-	143,000	418,381
	<u>10,465,765</u>	<u>130,326</u>	<u>4,940,385</u>	<u>15,536,476</u>
<b>Total disbursements</b>				
Excess (deficiency) of receipts over disbursements	<u>386,835</u>	<u>(130,326)</u>	<u>(235,334)</u>	<u>21,175</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	46,321	-	27,453	73,774
Transfers in	95,339	80,411	434,621	610,371
Transfers out	(438,870)	-	(171,501)	(610,371)
	<u>(297,210)</u>	<u>80,411</u>	<u>290,573</u>	<u>73,774</u>
<b>Total other financing sources (uses)</b>				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	89,625	(49,915)	55,239	94,949
Cash and investments - beginning	<u>1,887,051</u>	<u>369,139</u>	<u>408,177</u>	<u>2,664,367</u>
Cash and investments - ending	<u>\$ 1,976,676</u>	<u>\$ 319,224</u>	<u>\$ 463,416</u>	<u>\$ 2,759,316</u>
<b>Cash and Investment Assets - Ending</b>				
Cash and investments	<u>\$ 1,976,676</u>	<u>\$ 319,224</u>	<u>\$ 463,416</u>	<u>\$ 2,759,316</u>
Total cash and investment assets - ending	<u>\$ 1,976,676</u>	<u>\$ 319,224</u>	<u>\$ 463,416</u>	<u>\$ 2,759,316</u>
<b>Cash and Investment Fund Balance - Ending</b>				
Unrestricted	<u>1,976,676</u>	<u>319,224</u>	<u>463,416</u>	<u>2,759,316</u>
Total cash and investment fund balance - ending	<u>\$ 1,976,676</u>	<u>\$ 319,224</u>	<u>\$ 463,416</u>	<u>\$ 2,759,316</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, 2009

	General	Rainy Day Fund	Fiscal Stabilization	Other	Totals
<b>Receipts:</b>					
Local sources	\$ 1,979,295	\$ 23,331	\$ -	\$ 3,463,937	\$ 5,466,563
Intermediate sources	2,250	-	-	-	2,250
State sources	7,800,937	-	-	230,952	8,031,889
Federal sources	50,870	-	816,102	808,761	1,675,733
Temporary loans	1,500,000	-	-	500,000	2,000,000
Other	43,815	-	-	39,189	83,004
<b>Total receipts</b>	<b>11,377,167</b>	<b>23,331</b>	<b>816,102</b>	<b>5,042,839</b>	<b>17,259,439</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	6,833,046	-	-	428,994	7,262,040
Support services	2,752,779	95,519	-	2,328,713	5,177,011
Noninstructional services	188,697	-	-	671,650	860,347
Facilities acquisition and construction	-	-	-	335,653	335,653
Debt services	1,500,000	-	-	1,194,359	2,694,359
Nonprogrammed charges	292,205	44,771	-	103,570	440,546
<b>Total disbursements</b>	<b>11,566,727</b>	<b>140,290</b>	<b>-</b>	<b>5,062,939</b>	<b>16,769,956</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(189,560)</b>	<b>(116,959)</b>	<b>816,102</b>	<b>(20,100)</b>	<b>489,483</b>
<b>Other financing sources (uses):</b>					
Transfers in	450,500	524,869	-	56,691	1,032,060
Transfers out	(46,985)	(409,869)	-	(575,206)	(1,032,060)
<b>Total other financing sources (uses)</b>	<b>403,515</b>	<b>115,000</b>	<b>-</b>	<b>(518,515)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>213,955</b>	<b>(1,959)</b>	<b>816,102</b>	<b>(538,615)</b>	<b>489,483</b>
<b>Cash and investments - beginning</b>	<b>1,976,676</b>	<b>319,225</b>	<b>-</b>	<b>463,416</b>	<b>2,759,317</b>
<b>Cash and investments - ending</b>	<b>\$ 2,190,631</b>	<b>\$ 317,266</b>	<b>\$ 816,102</b>	<b>\$ (75,199)</b>	<b>\$ 3,248,800</b>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 2,190,631	\$ 317,266	\$ 816,102	\$ 38,085	\$ 3,362,084
Restricted assets:					
Cash and investments	-	-	-	(113,284)	(113,284)
<b>Total cash and investment assets - ending</b>	<b>\$ 2,190,631</b>	<b>\$ 317,266</b>	<b>\$ 816,102</b>	<b>\$ (75,199)</b>	<b>\$ 3,248,800</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ (113,284)	\$ (113,284)
Unrestricted	2,190,631	317,266	816,102	38,085	3,362,084
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,190,631</b>	<b>\$ 317,266</b>	<b>\$ 816,102</b>	<b>\$ (75,199)</b>	<b>\$ 3,248,800</b>

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, 2008

	Pension Trust Funds	Agency Funds
Deductions:		
Benefits	163,276	
Refunds of contributions	409,869	
Total deductions	573,145	
Excess (deficiency) of total additions over total deductions	(573,145)	
Cash and investment fund balance - beginning	882,107	
Cash and investment fund balance - ending	\$ 308,962	\$ (10,500)
Net assets:		
Cash and investments	\$ 308,962	
Total net assets - cash and investment basis held in trust	\$ 308,962	

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, 2009

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 409,869
Plan members	1,804
	411,673
Total contributions	411,673
Deductions:	
Benefits	169,723
	169,723
Excess (deficiency) of total additions over total deductions	241,950
Cash and investment fund balance - beginning	308,962
Cash and investment fund balance - ending	\$ 550,912
Net assets:	
Cash and investments	\$ 550,912
Total net assets - cash and investment basis held in trust	\$ 550,912

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-Stockton, 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 is obligated by contract to remit \$456,392 and \$555,530 for the fiscal years 2008 and 2009, 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 Bloomfield, Linton-Stockton, Shakamak, White River Valley, Southwest Sullivan, North Knox, South Knox, Vincennes, Barr-Reeve, North Daviess, Washington, and Loogootee School Corporations in a joint venture to operate 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 \$43,375 and \$26,444 for the fiscal years 2008 and 2009, 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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. (However, at this time, the School Corporation has not established any enterprise funds.)

The School Corporation reports the following major governmental funds:

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

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

Fiscal stabilization-education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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 post retirement or severance benefits held by the School Corporation in a trustee capacity. The retirement/severance bond fund is the only pension trust fund for the year ending June 30, 2009.

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, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. 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."

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2008 and 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007-2008
Rainy Day	\$ 76,546

These overexpenditures were funded by greater than anticipated receipts in the general fund and by available fund balance in the rainy day fund.

C. Cash and Investment Balance Deficits

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

Fund	2008-2009
Debt Service	\$ 686
Retirement Bond Debt	112,599
Capital Projects	304,791
School Bus Replacement	137,644
ECIA Title I	109
IDEA, Part B	8,448

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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.

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 School Corporation'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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007-2008</u>	<u>2008-2009</u>
General Fund	Rainy Day Fund	\$ 29,000	\$ 25,000
	Other governmental funds	405,621	21,985
Other governmental funds	General Fund	95,339	425,500
	Rainy Day Fund	80,411	524,869
	Other governmental funds	-	34,706
Totals		<u>\$ 610,371</u>	<u>\$ 1,032,060</u>

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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; 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 a capital lease 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 \$408,000 and \$409,500 for the fiscal years ended June 30, 2008 and 2009, respectively.

C. Termination Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits, as authorized by IC 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 12 retirees meet these requirements. The School Corporation provides 100% of these postemployment benefits for 8 of the 12 retirees who retired before February 1, 2005. The remaining 4 of the 12 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.

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 85,824
Interest on net pension obligation	(8,940)
Adjustment to annual required contribution	10,188
Annual pension cost	87,072
Contributions made	66,386
Increase (decrease) in net pension obligation	20,686
Net pension obligation, beginning of year	(123,314)
Net pension obligation, end of year	\$ (102,628)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 55,258	115%	\$ (145,067)
	06-30-07	87,221	75%	(123,314)
	06-30-08	87,072	76%	(102,628)

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. 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 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, and 2009, were \$175,351, and \$145,477, 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)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,450,732	\$ 1,578,492	\$ (127,760)	92%	\$ 1,204,365	(11%)
07-01-07	1,642,592	1,740,473	(97,881)	94%	1,191,089	(8%)
07-01-08	1,581,074	1,629,962	(48,888)	97%	1,134,142	(4%)

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, 2008

	Transportation Operating	Pre-school	School Lunch	Textbook Reimbursement	Levy Excess	Education License Plates	Early Intervention
Receipts:							
Local sources	\$ 888,020	\$ 5,642	\$ 265,230	\$ 77,635	\$ -	\$ -	\$ -
State sources	-	118,697	5,583	58,793	-	-	-
Federal sources	-	-	347,237	-	-	-	-
Temporary loans	500,000	-	-	-	-	-	-
Other	-	-	333	550	-	-	-
<b>Total receipts</b>	<b>1,388,020</b>	<b>124,339</b>	<b>618,383</b>	<b>136,978</b>	<b>-</b>	<b>-</b>	<b>-</b>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	500
Support services	961,497	-	-	118,526	-	-	-
Noninstructional services	-	-	617,296	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	500,000	-	-	-	-	-	-
Nonprogrammed charges	-	143,000	-	-	-	-	-
<b>Total disbursements</b>	<b>1,461,497</b>	<b>143,000</b>	<b>617,296</b>	<b>118,526</b>	<b>-</b>	<b>-</b>	<b>500</b>
Excess (deficiency) of receipts over disbursements	(73,477)	(18,661)	1,087	18,452	-	-	(500)
Other financing sources (uses):							
Sale of capital assets	12	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(95,339)	-	-
<b>Total other financing sources (uses)</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,339)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(73,465)	(18,661)	1,087	18,452	(95,339)	-	(500)
Cash and investments - beginning	140,004	42,238	121,345	47,671	95,339	44	500
Cash and investments - ending	<u>\$ 66,539</u>	<u>\$ 23,577</u>	<u>\$ 122,432</u>	<u>\$ 66,123</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ 66,539</u>	<u>\$ 23,577</u>	<u>\$ 122,432</u>	<u>\$ 66,123</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 66,539</u>	<u>\$ 23,577</u>	<u>\$ 122,432</u>	<u>\$ 66,123</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>66,539</u>	<u>23,577</u>	<u>122,432</u>	<u>66,123</u>	<u>-</u>	<u>44</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 66,539</u>	<u>\$ 23,577</u>	<u>\$ 122,432</u>	<u>\$ 66,123</u>	<u>\$ -</u>	<u>\$ 44</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, 2008  
 (Continued)

	Gifted and Talented	Economic Education Grant	Education Technology Loan	Medicaid Reimbursement	Language Assistance Program Grant	School Technology	Technology Plan Grant
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	31,849	-	30,000	-	-	6,590	-
Federal sources	-	-	-	1,154	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>31,849</b>	<b>-</b>	<b>30,000</b>	<b>1,154</b>	<b>-</b>	<b>6,590</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	18,824	373	-	-	-	-	7,747
Support services	-	-	-	3,485	78	-	-
Noninstructional services	-	-	-	172	-	-	-
Facilities acquisition and construction	-	-	-	-	-	25,548	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>18,824</b>	<b>373</b>	<b>-</b>	<b>3,657</b>	<b>78</b>	<b>25,548</b>	<b>7,747</b>
Excess (deficiency) of receipts over disbursements	13,025	(373)	30,000	(2,503)	(78)	(18,958)	(7,747)
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,025	(373)	30,000	(2,503)	(78)	(18,958)	(7,747)
Cash and investments - beginning	13,433	486	200	6,182	78	21,006	15,166
Cash and investments - ending	<u>\$ 26,458</u>	<u>\$ 113</u>	<u>\$ 30,200</u>	<u>\$ 3,679</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ 7,419</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ 26,458</u>	<u>\$ 113</u>	<u>\$ 30,200</u>	<u>\$ 3,679</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ 7,419</u>
Total cash and investment assets - ending	<u>\$ 26,458</u>	<u>\$ 113</u>	<u>\$ 30,200</u>	<u>\$ 3,679</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ 7,419</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>26,458</u>	<u>113</u>	<u>30,200</u>	<u>3,679</u>	<u>-</u>	<u>2,048</u>	<u>7,419</u>
Total cash and investment fund balance - ending	<u>\$ 26,458</u>	<u>\$ 113</u>	<u>\$ 30,200</u>	<u>\$ 3,679</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ 7,419</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, 2008  
 (Continued)

	Indiana Scholar Academic Improvement	Pupil Medical Services	Project Aspire	Title I FY 06/07	Title I FY 07/08	Title V Part A	Title V Part A
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	348,815	2,566	-
Temporary loans	-	-	-	-	-	-	-
Other	-	225	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>348,815</b>	<b>2,566</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	-	289,425	-	1,990
Support services	1,635	-	-	-	24,381	3,104	-
Noninstructional services	-	411	-	-	19,128	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,635</b>	<b>411</b>	<b>-</b>	<b>-</b>	<b>332,934</b>	<b>3,104</b>	<b>1,990</b>
Excess (deficiency) of receipts over disbursements	(1,635)	(186)	-	-	15,881	(538)	(1,990)
<b>Other financing sources (uses):</b>							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	24,751	-	-
Transfers out	-	-	-	(24,751)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,751)</b>	<b>24,751</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,635)	(186)	-	(24,751)	40,632	(538)	(1,990)
Cash and investments - beginning	1,635	1,062	1,116	24,751	-	3,104	2,660
Cash and investments - ending	\$ -	\$ 876	\$ 1,116	\$ -	\$ 40,632	\$ 2,566	\$ 670
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 876	\$ 1,116	\$ -	\$ 40,632	\$ 2,566	\$ 670
Total cash and investment assets - ending	\$ -	\$ 876	\$ 1,116	\$ -	\$ 40,632	\$ 2,566	\$ 670
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	-	876	1,116	-	40,632	2,566	670
Total cash and investment fund balance - ending	\$ -	\$ 876	\$ 1,116	\$ -	\$ 40,632	\$ 2,566	\$ 670

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, 2008  
 (Continued)

	Safe and Drug Free Schools	A.A.E Grant	March of Dimes Grant	Title II Part A	Title II Part D Technology	Tobacco Grant
<b>Receipts:</b>						
Local sources	\$ -	\$ 132	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	6,762	-	-	85,755	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>6,762</b>	<b>132</b>	<b>-</b>	<b>85,755</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	5,928	4,836	-	108,132	-	-
Support services	-	18,747	-	1,217	5,451	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
<b>Total disbursements</b>	<b>5,928</b>	<b>23,583</b>	<b>-</b>	<b>109,349</b>	<b>5,451</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	834	(23,451)	-	(23,594)	(5,451)	-
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	20,441	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>20,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	834	(3,010)	-	(23,594)	(5,451)	-
Cash and investments - beginning	8,005	6,154	143	79,699	5,451	547
Cash and investments - ending	<u>\$ 8,839</u>	<u>\$ 3,144</u>	<u>\$ 143</u>	<u>\$ 56,105</u>	<u>\$ -</u>	<u>\$ 547</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	\$ 8,839	\$ 3,144	\$ 143	\$ 56,105	\$ -	\$ 547
Total cash and investment assets - ending	<u>\$ 8,839</u>	<u>\$ 3,144</u>	<u>\$ 143</u>	<u>\$ 56,105</u>	<u>\$ -</u>	<u>\$ 547</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	8,839	3,144	143	56,105	-	547
Total cash and investment fund balance - ending	<u>\$ 8,839</u>	<u>\$ 3,144</u>	<u>\$ 143</u>	<u>\$ 56,105</u>	<u>\$ -</u>	<u>\$ 547</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, 2008  
 (Continued)

	Debt Service	Retirement Debt Service	Capital Projects	School Bus Replacement	Construction	Totals
<b>Receipts:</b>						
Local sources	\$ 560,266	\$ 569,296	\$ 662,368	\$ 121,588	\$ -	\$ 3,150,177
State sources	-	-	-	-	-	251,512
Federal sources	-	-	-	-	-	792,289
Temporary loans	-	-	-	-	-	500,000
Other	-	-	9,965	-	-	11,073
<b>Total receipts</b>	<b>560,266</b>	<b>569,296</b>	<b>672,333</b>	<b>121,588</b>	<b>-</b>	<b>4,705,051</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	333,226	-	-	-	770,981
Support services	-	177,295	532,526	184,884	-	2,032,826
Noninstructional services	-	-	-	-	-	637,007
Facilities acquisition and construction	-	-	293,428	-	4,739	323,715
Debt services	532,856	-	-	-	-	1,032,856
Nonprogrammed charges	-	-	-	-	-	143,000
<b>Total disbursements</b>	<b>532,856</b>	<b>510,521</b>	<b>825,954</b>	<b>184,884</b>	<b>4,739</b>	<b>4,940,385</b>
Excess (deficiency) of receipts over disbursements	27,410	58,775	(153,621)	(63,296)	(4,739)	(235,334)
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	7,000	-	-	27,453
Transfers in	23,970	97,829	161,486	126,585	-	434,621
Transfers out	(27,707)	-	(23,704)	-	-	(171,501)
<b>Total other financing sources (uses)</b>	<b>(3,737)</b>	<b>97,829</b>	<b>144,782</b>	<b>126,585</b>	<b>-</b>	<b>290,573</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,673	156,604	(8,839)	63,289	(4,739)	55,239
Cash and investments - beginning	(23,673)	(156,604)	8,839	(63,289)	4,885	408,177
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 463,416</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 463,416</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 463,416</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>463,416</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 463,416</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, 2009

	Transportation Operating	Pre-school	School Lunch	Textbook Reimbursement	Levy Excess	Education License Plates	Early Intervention
<b>Receipts:</b>							
Local sources	\$ 978,187	\$ 5,128	\$ 238,698	\$ 69,316	\$ -	\$ -	\$ -
State sources	-	92,248	5,988	86,271	-	-	500
Federal sources	-	-	359,207	-	-	-	-
Temporary loans	500,000	-	-	-	-	-	-
Other	35	-	49	399	-	-	-
<b>Total receipts</b>	<b>1,478,222</b>	<b>97,376</b>	<b>603,942</b>	<b>155,986</b>	<b>-</b>	<b>-</b>	<b>500</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	-	-	-	-
Support services	889,544	-	-	127,649	-	-	-
Noninstructional services	-	-	620,066	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	500,000	-	-	-	-	-	-
Nonprogrammed charges	-	103,570	-	-	-	-	-
<b>Total disbursements</b>	<b>1,389,544</b>	<b>103,570</b>	<b>620,066</b>	<b>127,649</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>88,678</b>	<b>(6,194)</b>	<b>(16,124)</b>	<b>28,337</b>	<b>-</b>	<b>-</b>	<b>500</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	56,691	-	-
Transfers out	(10,540)	(65)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(10,540)</b>	<b>(65)</b>	<b>-</b>	<b>-</b>	<b>56,691</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>78,138</b>	<b>(6,259)</b>	<b>(16,124)</b>	<b>28,337</b>	<b>56,691</b>	<b>-</b>	<b>500</b>
Cash and investments - beginning	66,539	23,577	122,432	66,123	-	44	-
<b>Cash and investments - ending</b>	<b>\$ 144,677</b>	<b>\$ 17,318</b>	<b>\$ 106,308</b>	<b>\$ 94,460</b>	<b>\$ 56,691</b>	<b>\$ 44</b>	<b>\$ 500</b>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 144,677	\$ 17,318	\$ 106,308	\$ 94,460	\$ 56,691	\$ 44	\$ 500
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 144,677</b>	<b>\$ 17,318</b>	<b>\$ 106,308</b>	<b>\$ 94,460</b>	<b>\$ 56,691</b>	<b>\$ 44</b>	<b>\$ 500</b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	144,677	17,318	106,308	94,460	56,691	44	500
<b>Total cash and investment fund balance - ending</b>	<b>\$ 144,677</b>	<b>\$ 17,318</b>	<b>\$ 106,308</b>	<b>\$ 94,460</b>	<b>\$ 56,691</b>	<b>\$ 44</b>	<b>\$ 500</b>

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, 2009  
 (Continued)

	Gifted and Talented	Economic Education Grant	Education Technology Loan	Medicaid Reimbursement	School Technology	Technology Plan Grant	Pupil Medical Services
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	31,849	-	-	-	14,096	-	-
Federal sources	-	-	-	706	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	3,051	-	397
<b>Total receipts</b>	<b>31,849</b>	<b>-</b>	<b>-</b>	<b>706</b>	<b>17,147</b>	<b>-</b>	<b>397</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	58,307	113	-	-	-	7,419	-
Support services	-	-	30,200	3,679	-	-	-
Noninstructional services	-	-	-	-	-	-	520
Facilities acquisition and construction	-	-	-	-	9,348	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>58,307</b>	<b>113</b>	<b>30,200</b>	<b>3,679</b>	<b>9,348</b>	<b>7,419</b>	<b>520</b>
Excess (deficiency) of receipts over disbursements	(26,458)	(113)	(30,200)	(2,973)	7,799	(7,419)	(123)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,458)	(113)	(30,200)	(2,973)	7,799	(7,419)	(123)
Cash and investments - beginning	26,458	113	30,200	3,679	2,048	7,419	876
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 706	\$ 9,847	\$ -	\$ 753
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ 706	\$ 9,847	\$ -	\$ 753
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 706</b>	<b>\$ 9,847</b>	<b>\$ -</b>	<b>\$ 753</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	706	9,847	-	753
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 706</b>	<b>\$ 9,847</b>	<b>\$ -</b>	<b>\$ 753</b>

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, 2009  
 (Continued)

	Project Aspire	Title I FY 07/08	Title I FY 08/09	ECIA Title I	Title V Part A	Title V Part A	Safe and Drug Free Schools
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	394,325	5,852	(2,566)	2,566	81
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>394,325</b>	<b>5,852</b>	<b>(2,566)</b>	<b>2,566</b>	<b>81</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	109	249,467	-	-	3,236	8,920
Support services	-	-	57,354	-	-	-	-
Noninstructional services	1,116	-	49,948	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,116</b>	<b>109</b>	<b>356,769</b>	<b>-</b>	<b>-</b>	<b>3,236</b>	<b>8,920</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(1,116)</b>	<b>(109)</b>	<b>37,556</b>	<b>5,852</b>	<b>(2,566)</b>	<b>(670)</b>	<b>(8,839)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(40,632)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(40,632)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(1,116)</b>	<b>(40,741)</b>	<b>37,556</b>	<b>5,852</b>	<b>(2,566)</b>	<b>(670)</b>	<b>(8,839)</b>
<b>Cash and investments - beginning</b>	<b>1,116</b>	<b>40,632</b>	<b>-</b>	<b>-</b>	<b>2,566</b>	<b>670</b>	<b>8,839</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ (109)</b>	<b>\$ 37,556</b>	<b>\$ 5,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	(109)	37,556	5,852	-	-	-
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ (109)</b>	<b>\$ 37,556</b>	<b>\$ 5,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	-	-	-	-	-	-
Unrestricted	-	(109)	37,556	5,852	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ (109)</b>	<b>\$ 37,556</b>	<b>\$ 5,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2009  
 (Continued)

	Safe and Drug Free Schools	A.A.E Grant	March of Dimes Grant	Title II Part A	Tobacco Grant	IDEA Part B
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	5,516	-	-	43,074	-	-
Temporary loans	-	-	-	-	-	-
Other	-	21,313	-	-	-	-
	<u>5,516</u>	<u>21,313</u>	<u>-</u>	<u>43,074</u>	<u>-</u>	<u>-</u>
Total receipts	<u>5,516</u>	<u>21,313</u>	<u>-</u>	<u>43,074</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	1,207	-	143	91,625	-	8,448
Support services	-	20,777	-	1,725	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
	<u>1,207</u>	<u>20,777</u>	<u>143</u>	<u>93,350</u>	<u>-</u>	<u>8,448</u>
Total disbursements	<u>1,207</u>	<u>20,777</u>	<u>143</u>	<u>93,350</u>	<u>-</u>	<u>8,448</u>
Excess (deficiency) of receipts over disbursements	<u>4,309</u>	<u>536</u>	<u>(143)</u>	<u>(50,276)</u>	<u>-</u>	<u>(8,448)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<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	4,309	536	(143)	(50,276)	-	(8,448)
Cash and investments - beginning	<u>-</u>	<u>3,144</u>	<u>143</u>	<u>56,105</u>	<u>547</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4,309</u>	<u>\$ 3,680</u>	<u>\$ -</u>	<u>\$ 5,829</u>	<u>\$ 547</u>	<u>\$ (8,448)</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 4,309	\$ 3,680	\$ -	\$ 5,829	\$ 547	\$ (8,448)
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - ending	<u>\$ 4,309</u>	<u>\$ 3,680</u>	<u>\$ -</u>	<u>\$ 5,829</u>	<u>\$ 547</u>	<u>\$ (8,448)</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>4,309</u>	<u>3,680</u>	<u>-</u>	<u>5,829</u>	<u>547</u>	<u>(8,448)</u>
Total cash and investment fund balance - ending	<u>\$ 4,309</u>	<u>\$ 3,680</u>	<u>\$ -</u>	<u>\$ 5,829</u>	<u>\$ 547</u>	<u>\$ (8,448)</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, 2009  
 (Continued)

	Debt Service	Retirement Debt Service	Capital Projects	School Bus Replacement	Construction	Totals
<b>Receipts:</b>						
Local sources	\$ 604,157	\$ 576,382	\$ 790,910	\$ 201,159	\$ -	\$ 3,463,937
State sources	-	-	-	-	-	230,952
Federal sources	-	-	-	-	-	808,761
Temporary loans	-	-	-	-	-	500,000
Other	-	-	13,945	-	-	39,189
<b>Total receipts</b>	<b>604,157</b>	<b>576,382</b>	<b>804,855</b>	<b>201,159</b>	<b>-</b>	<b>5,042,839</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	428,994
Support services	28,000	410,133	587,620	172,032	-	2,328,713
Noninstructional services	-	-	-	-	-	671,650
Facilities acquisition and construction	-	-	326,159	-	146	335,653
Debt services	520,138	174,221	-	-	-	1,194,359
Nonprogrammed charges	-	-	-	-	-	103,570
<b>Total disbursements</b>	<b>548,138</b>	<b>584,354</b>	<b>913,779</b>	<b>172,032</b>	<b>146</b>	<b>5,062,939</b>
Excess (deficiency) of receipts over disbursements	56,019	(7,972)	(108,924)	29,127	(146)	(20,100)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	56,691
Transfers out	(56,704)	(104,627)	(195,867)	(166,771)	-	(575,206)
<b>Total other financing sources (uses)</b>	<b>(56,704)</b>	<b>(104,627)</b>	<b>(195,867)</b>	<b>(166,771)</b>	<b>-</b>	<b>(518,515)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(685)	(112,599)	(304,791)	(137,644)	(146)	(538,615)
Cash and investments - beginning	-	-	-	-	146	463,416
Cash and investments - ending	\$ (685)	\$ (112,599)	\$ (304,791)	\$ (137,644)	\$ -	\$ (75,199)
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ (304,791)	\$ (137,644)	\$ -	\$ 38,085
Restricted assets:						
Cash and investments	(685)	(112,599)	-	-	-	(113,284)
<b>Total cash and investment assets - ending</b>	<b>\$ (685)</b>	<b>\$ (112,599)</b>	<b>\$ (304,791)</b>	<b>\$ (137,644)</b>	<b>\$ -</b>	<b>\$ (75,199)</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ (685)	\$ (112,599)	\$ -	\$ -	\$ -	\$ (113,284)
Unrestricted	-	-	(304,791)	(137,644)	-	38,085
<b>Total cash and investment fund balance - ending</b>	<b>\$ (685)</b>	<b>\$ (112,599)</b>	<b>\$ (304,791)</b>	<b>\$ (137,644)</b>	<b>\$ -</b>	<b>\$ (75,199)</b>

NORTHEAST SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 25,180
Infrastructure	733,130
Buildings	13,642,700
Machinery and equipment	1,230,627
Transportation equipment	<u>856,576</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 16,488,213</u>

NORTHEAST SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2001 Improvements to North Central HS	\$ 2,659,791	\$ 408,500
Loans and notes payable	2,000,000	2,025,568
Common school fund loans payable	43,329	36,121
Bonds payable:		
General obligation bonds:		
2006 Pension Bonds	<u>3,570,000</u>	<u>342,990</u>
Total governmental activities debt	<u>\$ 8,273,120</u>	<u>\$ 2,813,179</u>

NORTHEAST SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rainy Day	2007	\$ 76,546

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN FUND BALANCES

The Debt Service Fund, Retirement Bond Debt Fund, Capital Projects Fund, School Bus Replacement Fund, ECIA Title I Fund, and IDEA, Part B Fund were overdrawn at June 30, 2009.

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

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

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

Internal Control Over Compliance

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

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

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

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

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

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

February 17, 2010

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 71,263	\$ 71,547
National School Lunch Program	10.555		<u>275,974</u>	<u>287,660</u>
Total for program			<u>347,237</u>	<u>359,207</u>
Total for federal grantor agency			<u>347,237</u>	<u>359,207</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Education Agencies	84.010			
		07-7645	24,751	-
		08-7645	308,183	40,632
		09-7645	<u>-</u>	<u>316,137</u>
Total for program			<u>332,934</u>	<u>356,769</u>
Safe and Drug Free Schools and Communities-State Grant	84.186			
		06-7645	5,928	-
		07-7645	3,000	5,920
		08-7645	<u>-</u>	<u>1,207</u>
Total for program			<u>8,928</u>	<u>7,127</u>
State Grants for Innovative Programs	84.298			
		07-7645	1,990	-
		08-7645	-	2,566
		09-7645	<u>-</u>	<u>670</u>
Total for program			<u>1,990</u>	<u>3,236</u>
Enhancing Education Through Technology	84.318		<u>5,451</u>	<u>-</u>
Total for program			<u>5,451</u>	<u>-</u>
Improving Teacher Quality State Grants (A)	84.367		<u>109,348</u>	<u>93,350</u>
Total for program			<u>109,348</u>	<u>93,350</u>
Total for cluster (If this is not a cluster delete this and above row.)			<u>458,651</u>	<u>460,482</u>
Total for federal grantor agency			<u>458,651</u>	<u>460,482</u>
Total federal awards expended			<u>\$ 805,888</u>	<u>\$ 819,689</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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008	2009
Child Nutrition Cluster	10.553	\$ 3,921	\$ 7,720
Child Nutrition Cluster	10.555	15,183	29,897

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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? yes

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 February 17, 2010, with Dr. Mark A. Baker, Superintendent of Schools; and Vikki Huntworth, Treasurer. The officials concurred with our audit findings.