

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHEAST SCHOOL CORPORATION  
SULLIVAN COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
03/07/2014



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vikki Huntworth	07-01-11 to 06-30-14
Superintendent of Schools	Dr. Mark A. Baker	07-01-11 to 06-30-14
President of the School Board	Angela M. Grove Ronald P. Frye Norman Santus	01-01-11 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

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

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

January 16, 2014



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Northeast School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated January 16, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

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

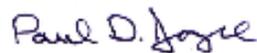
with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

***Northeast School Corporation's Response to Findings***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

January 16, 2014

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## FINANCIAL STATEMENT

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

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

	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
General	\$ 3,043,084	\$ 9,501,583	\$ 10,996,858	\$ (50,000)	\$ 1,497,809	\$ 9,074,677	\$ 9,385,745	\$ -	\$ 1,186,741	
Debt Service	207,099	542,454	445,383	-	304,170	491,359	447,953	-	347,576	
Retirement/Severance Bond Debt Service	25,258	155,437	180,694	-	1	447,632	174,030	-	273,603	
Capital Projects	261,023	1,017,795	1,061,032	-	217,786	1,271,811	901,758	-	587,839	
School Transportation	595,888	1,083,351	1,587,492	-	91,747	1,602,503	1,092,365	-	601,885	
School Bus Replacement	28,835	135,752	174,138	-	(9,551)	110,868	96,639	-	4,678	
Rainy Day	569,771	-	166,511	50,000	453,260	-	369,188	-	84,072	
Retirement/Severance Bond	293,260	-	83,461	-	209,799	-	45,431	-	164,368	
Construction Fund 2013	-	-	-	-	-	-	2,014,892	2,556,597	541,705	
Energy Savings Contract	-	-	919,731	1,969,500	1,049,769	-	1,049,769	-	-	
School Lunch	74,499	614,507	662,957	-	26,049	585,259	636,036	-	(24,728)	
Textbook Rental	120,622	129,386	135,663	-	114,345	147,008	100,463	-	160,890	
Levy Excess	26,092	-	-	-	26,092	-	-	-	26,092	
Playground	-	-	-	-	-	1,470	1,470	-	-	
Pupil Medical Services	795	30	-	-	825	-	14	-	811	
Walmart Grant/DES	-	-	-	-	-	500	500	-	-	
High Ability Grant 2012-2013	-	-	-	-	-	30,971	26,690	-	4,281	
High Ability Grant 2010-2011	291	-	291	-	-	-	-	-	-	
High Ability Grant 2011-2012	-	29,826	25,639	-	4,187	-	4,187	-	-	
Computer Consortium	-	134,200	134,200	-	-	-	-	-	-	
STAA Grant Common School Fund	-	-	-	-	-	30,556	30,556	-	-	
Medicaid Reimbursement	4,849	4,022	8,357	-	514	4,256	287	-	4,483	
School Technology	21,909	12,006	8,724	-	25,191	29,535	52,234	-	2,492	
Professional Development	3,358	-	3,358	-	-	-	-	-	-	
Project Lead The Way	-	10,000	10,000	-	-	-	-	-	-	
Title I 2011-2012	-	233,613	286,091	-	(52,478)	83,385	30,907	-	-	
Title I 2010-2011	(23,873)	72,544	48,671	-	-	232,299	277,590	-	(45,291)	
Title I FY2011 SIG Grant	(16,903)	29,232	12,329	-	-	-	-	-	-	
Title IV Part A	-	1,061	1,061	-	-	-	-	-	-	
A.A.E. Grant 2011-2012	-	4,519	3,002	-	1,517	-	1,517	-	-	
A.A.E. Grant 2012-2013	-	-	-	-	-	3,040	540	-	2,500	
A.A.E. Grant 2010-2011	2,258	-	2,258	-	-	-	-	-	-	
Title II 2012-2013	-	-	-	-	-	67,715	71,810	-	(4,095)	
Title II Part A FY2010	-	70,729	76,355	-	(5,626)	15,570	9,944	-	-	
Rural Schools and Low Income Program	-	15,160	15,160	-	-	8,935	13,345	-	(4,410)	
Title I Grants to LEAs	(50)	597	547	-	-	-	-	-	-	
Special Education Part B	(21,557)	56,671	35,114	-	-	-	-	-	-	
Education Jobs	-	251,911	257,146	-	(5,235)	74,143	68,908	-	-	
Payroll Withholdings and Benefits	46,577	2,226,838	2,235,090	-	38,325	2,194,320	2,232,645	-	-	
<b>Totals</b>	<b>\$ 5,263,085</b>	<b>\$ 16,333,224</b>	<b>\$ 19,577,313</b>	<b>\$ 1,969,500</b>	<b>\$ 3,988,496</b>	<b>\$ 16,507,812</b>	<b>\$ 19,137,413</b>	<b>\$ 2,556,597</b>	<b>\$ 3,915,492</b>	

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*E. Disbursements*

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2012 and June 30, 2013.

**Note 8. Subsequent Event – Closing of Schools**

On December 2, 2013, the Northeast School Board of Trustees voted in favor of closing the Dugger Elementary and Union High Schools, both in Dugger, Indiana. The school closings are scheduled to take effect at the start of the 2014-2015 school year.

NORTHEAST SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9.  *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. Lease payments during the years 2012 and 2013 totaled \$408,500 and \$410,000, respectively.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Energy Savings Contract
Cash and investments - beginning	\$ 3,043,084	\$ 207,099	\$ 25,258	\$ 261,023	\$ 595,888	\$ 28,835	\$ 569,771	\$ 293,260	\$ -
Receipts:									
Local sources	34,028	542,454	155,437	1,016,982	1,083,351	135,752	-	-	-
Intermediate sources	400	-	-	-	-	-	-	-	-
State sources	9,334,188	-	-	-	-	-	-	-	-
Federal sources	132,867	-	-	-	-	-	-	-	-
Other	100	-	-	813	-	-	-	-	-
Total receipts	<u>9,501,583</u>	<u>542,454</u>	<u>155,437</u>	<u>1,017,795</u>	<u>1,083,351</u>	<u>135,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	6,857,175	-	-	-	-	-	-	-	-
Support services	2,443,922	-	-	681,267	1,087,492	174,138	4,040	83,461	-
Noninstructional services	195,761	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	379,765	-	-	-	-	919,731
Debt services	1,500,000	445,383	180,694	-	500,000	-	162,471	-	-
Total disbursements	<u>10,996,858</u>	<u>445,383</u>	<u>180,694</u>	<u>1,061,032</u>	<u>1,587,492</u>	<u>174,138</u>	<u>166,511</u>	<u>83,461</u>	<u>919,731</u>
Excess (deficiency) of receipts over disbursements	<u>(1,495,275)</u>	<u>97,071</u>	<u>(25,257)</u>	<u>(43,237)</u>	<u>(504,141)</u>	<u>(38,386)</u>	<u>(166,511)</u>	<u>(83,461)</u>	<u>(919,731)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,969,500
Transfers in	-	-	-	-	-	-	50,000	-	-
Transfers out	(50,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>1,969,500</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,545,275)</u>	<u>97,071</u>	<u>(25,257)</u>	<u>(43,237)</u>	<u>(504,141)</u>	<u>(38,386)</u>	<u>(116,511)</u>	<u>(83,461)</u>	<u>1,049,769</u>
Cash and investments - ending	<u>\$ 1,497,809</u>	<u>\$ 304,170</u>	<u>\$ 1</u>	<u>\$ 217,786</u>	<u>\$ 91,747</u>	<u>\$ (9,551)</u>	<u>\$ 453,260</u>	<u>\$ 209,799</u>	<u>\$ 1,049,769</u>

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

	School Lunch	Textbook Rental	Levy Excess	Pupil Medical Services	High Ability Grant 2010-2011	High Ability Grant 2011-2012	Computer Consortium	Medicaid Reimbursement
Cash and investments - beginning	\$ 74,499	\$ 120,622	\$ 26,092	\$ 795	\$ 291	\$ -	\$ -	\$ 4,849
Receipts:								
Local sources	213,078	67,893	-	30	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	5,433	61,443	-	-	-	29,826	134,200	-
Federal sources	395,756	-	-	-	-	-	-	4,022
Other	240	50	-	-	-	-	-	-
Total receipts	<u>614,507</u>	<u>129,386</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>29,826</u>	<u>134,200</u>	<u>4,022</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	291	25,639	-	-
Support services	277	135,663	-	-	-	-	134,200	8,357
Noninstructional services	662,680	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	<u>662,957</u>	<u>135,663</u>	<u>-</u>	<u>-</u>	<u>291</u>	<u>25,639</u>	<u>134,200</u>	<u>8,357</u>
Excess (deficiency) of receipts over disbursements	<u>(48,450)</u>	<u>(6,277)</u>	<u>-</u>	<u>30</u>	<u>(291)</u>	<u>4,187</u>	<u>-</u>	<u>(4,335)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(48,450)</u>	<u>(6,277)</u>	<u>-</u>	<u>30</u>	<u>(291)</u>	<u>4,187</u>	<u>-</u>	<u>(4,335)</u>
Cash and investments - ending	<u>\$ 26,049</u>	<u>\$ 114,345</u>	<u>\$ 26,092</u>	<u>\$ 825</u>	<u>\$ -</u>	<u>\$ 4,187</u>	<u>\$ -</u>	<u>\$ 514</u>

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

	School Technology	Professional Development	Project Lead The Way	Title I 2011-2012	Title I 2010-2011	Title I FY2011 SIG Grant	Title IV Part A	A.A.E. Grant 2011-2012
Cash and investments - beginning	\$ 21,909	\$ 3,358	\$ -	\$ -	\$ (23,873)	\$ (16,903)	\$ -	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	4,519
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	10,000	-	-	-	-	-
Federal sources	-	-	-	233,613	72,544	29,232	1,061	-
Other	12,006	-	-	-	-	-	-	-
Total receipts	<u>12,006</u>	<u>-</u>	<u>10,000</u>	<u>233,613</u>	<u>72,544</u>	<u>29,232</u>	<u>1,061</u>	<u>4,519</u>
Disbursements:								
Current:								
Instruction	-	-	-	240,955	41,667	474	1,061	-
Support services	1,615	3,358	10,000	45,100	7,004	11,855	-	3,002
Noninstructional services	-	-	-	36	-	-	-	-
Facilities acquisition and construction	7,109	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	<u>8,724</u>	<u>3,358</u>	<u>10,000</u>	<u>286,091</u>	<u>48,671</u>	<u>12,329</u>	<u>1,061</u>	<u>3,002</u>
Excess (deficiency) of receipts over disbursements	<u>3,282</u>	<u>(3,358)</u>	<u>-</u>	<u>(52,478)</u>	<u>23,873</u>	<u>16,903</u>	<u>-</u>	<u>1,517</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>3,282</u>	<u>(3,358)</u>	<u>-</u>	<u>(52,478)</u>	<u>23,873</u>	<u>16,903</u>	<u>-</u>	<u>1,517</u>
Cash and investments - ending	<u>\$ 25,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,478)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517</u>

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

	A.A.E. Grant 2010-2011	Title II Part A FY2010	Rural Schools and Low Income Program	Title I Grants to LEAs	Special Education Part B	Education Jobs	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ 2,258	\$ -	\$ -	\$ (50)	\$ (21,557)	\$ -	\$ 46,577	\$ 5,263,085
Receipts:								
Local sources	-	-	-	-	-	-	-	3,253,524
Intermediate sources	-	-	-	-	-	-	-	400
State sources	-	-	-	-	-	-	-	9,575,090
Federal sources	-	70,729	15,160	597	56,671	251,911	-	1,264,163
Other	-	-	-	-	-	-	2,226,838	2,240,047
Total receipts	-	70,729	15,160	597	56,671	251,911	2,226,838	16,333,224
Disbursements:								
Current:								
Instruction	-	76,355	-	547	17,225	217,818	-	7,479,207
Support services	2,258	-	15,160	-	17,737	39,328	-	4,909,234
Noninstructional services	-	-	-	-	-	-	-	858,477
Facilities acquisition and construction	-	-	-	-	152	-	-	1,306,757
Debt services	-	-	-	-	-	-	2,235,090	5,023,638
Total disbursements	2,258	76,355	15,160	547	35,114	257,146	2,235,090	19,577,313
Excess (deficiency) of receipts over disbursements	(2,258)	(5,626)	-	50	21,557	(5,235)	(8,252)	(3,244,089)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,969,500
Transfers in	-	-	-	-	-	-	-	50,000
Transfers out	-	-	-	-	-	-	-	(50,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	1,969,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,258)	(5,626)	-	50	21,557	(5,235)	(8,252)	(1,274,589)
Cash and investments - ending	\$ -	\$ (5,626)	\$ -	\$ -	\$ -	\$ (5,235)	\$ 38,325	\$ 3,988,496

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction Fund 2013
Cash and investments - beginning	\$ 1,497,809	\$ 304,170	\$ 1	\$ 217,786	\$ 91,747	\$ (9,551)	\$ 453,260	\$ 209,799	\$ -
Receipts:									
Local sources	41,257	491,359	197,632	1,021,493	1,102,503	110,868	-	-	-
Intermediate sources	732	-	-	-	-	-	-	-	-
State sources	8,941,248	-	-	-	-	-	-	-	-
Federal sources	90,189	-	-	-	-	-	-	-	-
Temporary loans	-	-	250,000	250,000	500,000	-	-	-	-
Other	1,251	-	-	318	-	-	-	-	-
Total receipts	<u>9,074,677</u>	<u>491,359</u>	<u>447,632</u>	<u>1,271,811</u>	<u>1,602,503</u>	<u>110,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	6,662,874	-	-	-	-	-	-	-	-
Support services	2,542,527	-	-	617,551	1,092,365	96,639	-	45,431	-
Noninstructional services	180,344	-	-	-	-	-	88,100	-	-
Facilities acquisition and construction	-	-	-	284,207	-	-	-	-	2,014,892
Debt services	-	447,953	174,030	-	-	-	281,088	-	-
Total disbursements	<u>9,385,745</u>	<u>447,953</u>	<u>174,030</u>	<u>901,758</u>	<u>1,092,365</u>	<u>96,639</u>	<u>369,188</u>	<u>45,431</u>	<u>2,014,892</u>
Excess (deficiency) of receipts over disbursements	<u>(311,068)</u>	<u>43,406</u>	<u>273,602</u>	<u>370,053</u>	<u>510,138</u>	<u>14,229</u>	<u>(369,188)</u>	<u>(45,431)</u>	<u>(2,014,892)</u>
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	2,556,597
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,556,597</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(311,068)</u>	<u>43,406</u>	<u>273,602</u>	<u>370,053</u>	<u>510,138</u>	<u>14,229</u>	<u>(369,188)</u>	<u>(45,431)</u>	<u>541,705</u>
Cash and investments - ending	<u>\$ 1,186,741</u>	<u>\$ 347,576</u>	<u>\$ 273,603</u>	<u>\$ 587,839</u>	<u>\$ 601,885</u>	<u>\$ 4,678</u>	<u>\$ 84,072</u>	<u>\$ 164,368</u>	<u>\$ 541,705</u>

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

	Energy Savings Contract	School Lunch	Textbook Rental	Levy Excess	Playground	Pupil Medical Services	Walmart Grant/DES	High Ability Grant 2012-2013
Cash and investments - beginning	\$ 1,049,769	\$ 26,049	\$ 114,345	\$ 26,092	\$ -	\$ 825	\$ -	\$ -
Receipts:								
Local sources	-	211,441	69,219	-	1,470	-	500	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	4,785	77,589	-	-	-	-	30,971
Federal sources	-	368,993	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	40	200	-	-	-	-	-
Total receipts	-	585,259	147,008	-	1,470	-	500	30,971
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	500	26,690
Support services	-	267	100,463	-	-	14	-	-
Noninstructional services	-	635,769	-	-	-	-	-	-
Facilities acquisition and construction	1,049,769	-	-	-	1,470	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	1,049,769	636,036	100,463	-	1,470	14	500	26,690
Excess (deficiency) of receipts over disbursements	(1,049,769)	(50,777)	46,545	-	-	(14)	-	4,281
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,049,769)	(50,777)	46,545	-	-	(14)	-	4,281
Cash and investments - ending	\$ -	\$ (24,728)	\$ 160,890	\$ 26,092	\$ -	\$ 811	\$ -	\$ 4,281

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

	High Ability Grant 2011-2012	STAA Grant Common School Fund	Medicaid Reimbursement	School Technology	Title I 2011-2012	Title I 2010-2011	A.A.E. Grant 2011-2012	A.A.E. Grant 2012-2013
Cash and investments - beginning	\$ 4,187	\$ -	\$ 514	\$ 25,191	\$ (52,478)	\$ -	\$ 1,517	\$ -
Receipts:								
Local sources	-	-	-	16,654	-	-	-	3,040
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	30,556	-	-	-	-	-	-
Federal sources	-	-	4,256	-	83,385	232,299	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	12,881	-	-	-	-
Total receipts	-	30,556	4,256	29,535	83,385	232,299	-	3,040
Disbursements:								
Current:								
Instruction	4,187	-	-	-	25,771	242,708	-	540
Support services	-	30,556	287	19,917	5,136	34,882	1,517	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	32,317	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Total disbursements	4,187	30,556	287	52,234	30,907	277,590	1,517	540
Excess (deficiency) of receipts over disbursements	(4,187)	-	3,969	(22,699)	52,478	(45,291)	(1,517)	2,500
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,187)	-	3,969	(22,699)	52,478	(45,291)	(1,517)	2,500
Cash and investments - ending	\$ -	\$ -	\$ 4,483	\$ 2,492	\$ -	\$ (45,291)	\$ -	\$ 2,500

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

	A.A.E. Grant 2010-2011	Title II 2012-2013	Title II Part A FY2010	Rural Schools and Low Income Program	Title I Grants to LEAs	Education Jobs	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (5,626)	\$ -	\$ -	\$ (5,235)	\$ 38,325	\$ 3,988,496
Receipts:								
Local sources	-	-	-	-	-	-	-	3,267,436
Intermediate sources	-	-	-	-	-	-	-	732
State sources	-	-	-	-	-	-	-	9,085,149
Federal sources	-	67,715	15,570	8,935	-	74,143	-	945,485
Temporary loans	-	-	-	-	-	-	-	1,000,000
Other	-	-	-	-	-	-	2,194,320	2,209,010
Total receipts	-	67,715	15,570	8,935	-	74,143	2,194,320	16,507,812
Disbursements:								
Current:								
Instruction	-	71,810	9,944	-	-	61,706	-	7,106,730
Support services	-	-	-	13,345	-	7,202	-	4,608,099
Noninstructional services	-	-	-	-	-	-	-	904,213
Facilities acquisition and construction	-	-	-	-	-	-	-	3,382,655
Debt services	-	-	-	-	-	-	2,232,645	3,135,716
Total disbursements	-	71,810	9,944	13,345	-	68,908	2,232,645	19,137,413
Excess (deficiency) of receipts over disbursements	-	(4,095)	5,626	(4,410)	-	5,235	(38,325)	(2,629,601)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	2,556,597
Total other financing sources (uses)	-	-	-	-	-	-	-	2,556,597
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,095)	5,626	(4,410)	-	5,235	(38,325)	(73,004)
Cash and investments - ending	\$ -	\$ (4,095)	\$ -	\$ (4,410)	\$ -	\$ -	\$ -	\$ 3,915,492

NORTHEAST SCHOOL CORPORATION  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 June 30, 2013

Northeast School Corporation	Accounts Payable	Accounts Receivable
Fund 4120/Title I 2012-2013	\$ -	\$ 45,291
Fund 6842/Title II 2012-2013	-	4,095
Fund 6870/Rural Schools & Low Income Program	-	4,410
 Total	 \$ -	 \$ 53,797

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
NE Sullivan Multi School Bldg., 2011	Addition	\$ 413,000	01-15-12	01-15-18
NE Sullivan Multi School Bldg., 2013A	Phase I Energy Savings Contract	234,000	06-30-14	07-15-23
NE Sullivan Multi School Bldg., 2013B	Phase II Energy Savings Contract	<u>236,000</u>	07-15-14	07-15-23
Total of annual lease payments		<u>\$ 883,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Common School Fund		\$ 120,780	\$ 27,981
Pension Bonds		3,100,000	346,430
Temporary Loan		<u>1,000,000</u>	<u>1,012,000</u>
Totals		<u>\$ 4,220,780</u>	<u>\$ 1,386,411</u>

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NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2013

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 25,180
Infrastructure	813,130
Buildings	13,617,700
Improvements other than buildings	1,405,587
Machinery, equipment, and vehicles	<u>1,618,518</u>
Total capital assets	<u>\$ 17,480,115</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Northeast School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

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

***Report on Internal Control Over Compliance***

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

  
Paul D. Joyce, CPA  
State Examiner

January 16, 2014

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2012 FY 2013	\$ 81,911 -	\$ - 73,714
Total - School Breakfast Program				<u>81,911</u>	<u>73,714</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 2012 FY 2013	302,944 -	- 294,775
Total - National School Lunch Program				<u>302,944</u>	<u>294,775</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 2012 FY 2013	10,901 -	- 504
Total - Summer Food Service Program for Children				<u>10,901</u>	<u>504</u>
Total - Child Nutrition Cluster				<u>395,756</u>	<u>368,993</u>
Total - Department of Agriculture				<u>395,756</u>	<u>368,993</u>
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	10-7645 11-7645 12-7645	29,232 72,544 233,613	- 232,299 83,385
Total - Title I Grants to Local Educational Agencies				<u>335,389</u>	<u>315,684</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389		<u>597</u>	<u>-</u>
Total - Title I, Part A Cluster				<u>335,986</u>	<u>315,684</u>

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

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013  
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Education (continued)</u>					
Special Education Cluster					
ARRA - Special Education Grants to States, Recovery Act	Indiana Department of Education	84.391		56,671	-
Total - Special Education Cluster				56,671	-
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186		1,061	-
Rural Education	Indiana Department of Education	84.358		15,160	8,935
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	FY 2011 FY 2012	70,729 -	15,570 67,715
Total - Improving Teacher Quality State Grants				70,729	83,285
Education Jobs Fund	Indiana Department of Education	84.410		251,911	74,143
Total - Department of Education				731,518	482,047
Total federal awards expended				<u>\$ 1,127,274</u>	<u>\$ 851,040</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

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

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

**Note 2. Noncash Assistance**

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

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 7,832	\$ 8,771
National School Lunch Program	10.555	28,967	35,073

NORTHEAST SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Title I, Part A Cluster Improving Teacher Quality State Grants
84.410	Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROLS OVER REPORTING**

We noted the following deficiency in the internal control system of the School Corporation related to reporting. We believe the deficiency constitutes a material weakness.

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

During the audit of the SEFA, we noted the following errors: The SEFA did not include three federal awards that should have been included, totaling \$413,414, and numerous format errors were made in the preparation of the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

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

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

No matters are reportable.

# Northeast School Corporation

## Sullivan County

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**DR. MARK A. BAKER**  
Superintendent of Schools

**VIKKI HUNTWORTH**  
Treasurer

**SHEILA WOODARD**  
Payroll Secretary

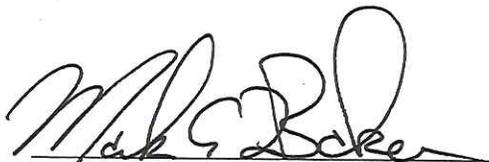
January 16, 2014

Indiana State Board of Accounts  
302 West Washington Street  
Room 418  
Indianapolis, IN 46204-2765

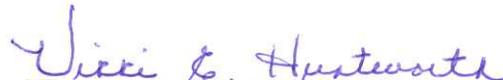
RE: Official Response to Finding 2013-001

### FINDING 2013-001 - INTERNAL CONTROLS OVER REPORTING

In order to improve procedures in the preparation of the Schedule of Expenditures of Federal Awards (SEFA), we agree to obtain a better understanding of what information is to be reported on the SEFA, including CFDA numbers, official grant titles, and grant award amounts, to ensure accuracy and completeness.



Dr. Mark A. Baker, Superintendent



Vikki E. Huntworth, Treasurer

Dated: January 16, 2014

Dated: January 16, 2014

NORTHEAST SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2014, with Dr. Mark A. Baker, Superintendent of Schools; Vikki Huntworth, Treasurer; and Sheila Woodard, Payroll Clerk.